

# Public Utilities

*PORTNIGHTLY*

Volume XLII No. 6



September 9, 1948

## WANTED: A NEW FEDERAL POWER POLICY

*By the Honorable George A. Dondero  
United States Representative*

« »

## Health, Retirement Benefits for Utility Employees

*By Marion Hammett*

« »

## Marvel of Atomic Energy

*By M. M. Samuels*

« »

## Utility Company Showmanship

*By Walter G. Heren*





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GS 3 4134	4120	14	1 40
IRONER			4 50
PAST DUE			5 63
AMOUNT DUE →			14 17

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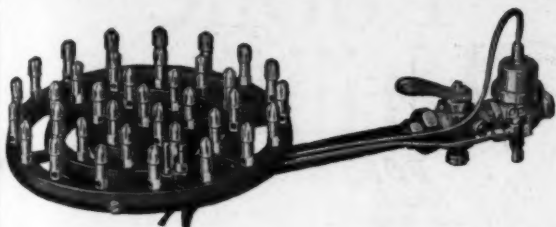
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# Public Utilities

## FORTNIGHTLY

VOLUME XLII

SEPTEMBER 9, 1948

NUMBER 6



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**PUBLIC UTILITIES FORTNIGHTLY** .. stands for Federal and state regulation of both privately owned and operated utilities and publicly owned and operated utilities, on a fair and nondiscriminatory basis; for nondiscriminatory administration of laws; for equitable and nondiscriminatory taxation; and, in general—for the perpetuation of the free enterprise system. It is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

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## Pages with the Editors

**A**N interesting angle on the functions of the state public utility commissions has been raised by the president of the Communications Workers of America—national independent union of telephone workers, principally in the Bell system. This union leader, Joseph A. Beirne, has written to 34 state regulatory commissions and asked that these commissions give consideration in pending and forthcoming telephone rate cases to the question of whether or not the company whose rates are under review is paying reasonable and adequate wages to its employees.

BEIRNE said that state public utility commissions have not only the responsibility for protection of the public in rate matters. "They are also responsible for seeing that the public has adequate service of a high quality," he said. "With poor wages, service deteriorates. If we have to strike, it will deteriorate even more."

THIS seems to be a rather novel construction of the state commissions' responsibility. It is undoubtedly true that the commissions are responsible for the protection of the utility con-

sumers. It is also probably true, although questioned in some quarters, that the commissions have a responsibility for the protection of the utility investor. At any rate, the courts have usually enforced that concept where commissions have refused to give utility companies necessary rate relief, as recently happened in a telephone rate case in Georgia.

**B**UT one looks in vain through the various state public service commission laws for any statutory language imposing upon the state commissions any duty or responsibility to examine the reasonableness of wages paid by utility companies to their employees. On the contrary, the regulatory commissions generally have usually left such matters to the discretion of management or to collective bargaining between management and organized labor.

BUT Mr. Beirne has pitched his plea for regulatory intervention affecting utility employees on a rather novel premise that the commissions must do this in order to insure adequate service for the public. Certainly, most of the state regulatory laws require the respective public utility commissions to see to it that service is adequate.

WHETHER many state commissions will agree to this implied extension of the theory of a utility's obligation to serve remains to be seen. Sometime ago President Beirne made a similar plea to several of the state commissions and drew a negative reaction.

It is a fair question whether a similar line of reasoning might be taken with respect to other items of operating expenses based on an extension of the theory of a utility's service obligation. Is the company getting the proper equipment and paying enough for it? Has the company made adequate engineering, construction, and other plans for future service? Has the company hired enough



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GEORGE A. DONDERO

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Power means progress. That's equally true of hydro-electric power and of mobile International Diesel Power.

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CRAWLER TRACTORS • WHEEL TRACTORS DIESEL ENGINES • POWER UNITS

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WALTER G. HEREN

employees or has it trained them sufficiently well? Such questions, all of which involve what used to be regarded as managerial functions, certainly would affect service to the public in case of a breakdown on any of the items mentioned.

OFFHAND, it would appear that the commissions will have a good many duties to perform if they decide to assume the responsibility for weighing the merits of every managerial decision, regarding every operating expense, from the broad question of wages to whether or not copper or aluminum lines should be used.

THE leading article in this issue, which is presented as an authoritative preview of what might well be considered as a national power policy if there should be a change of administration following the election in November, is written by GEORGE A. DONDERO, Republican Representative from the seventeenth district of Michigan. Born in Royal Oak, Michigan, in 1883, and educated in the public schools and the Detroit College of Law (LLB, '10), REPRESENTATIVE DONDERO was admitted to the bar in the year of his graduation and has since practiced law in Royal Oak and Detroit. Early in his career he held a number of public offices in Royal Oak, and was the first mayor of that community from 1921 to 1922. He was elected to the 73rd Congress, which convened in 1933, and each succeeding Congress, including the 80th. He is now chairman of the important House Public Lands Committee which handles many important questions of power policy.

\* \* \* \*

M. M. SAMUELS, whose article on clarification of atomic energy phenomena begins on page 350, was born in Lithuania in 1880 and graduated from the electrical engineering school at Karlsruhe, Germany. He came to the United States in 1905 and became a citizen in 1910. He began his professional career with the General Electric Company, later joining Westinghouse and J. G. White Engineering Corporation. He began his public service with the Federal Power Commission and upon his retirement last year was chief of the technical standards division of the Rural Electrification Administration. Now living in New York city, MR. SAMUELS has contributed numerous papers on electric engineering and is the author of "Power Unleashed," an explanation of electric industry operations and problems. He is a fellow of the American Institute of Electrical Engineers and a member of various other professional groups.

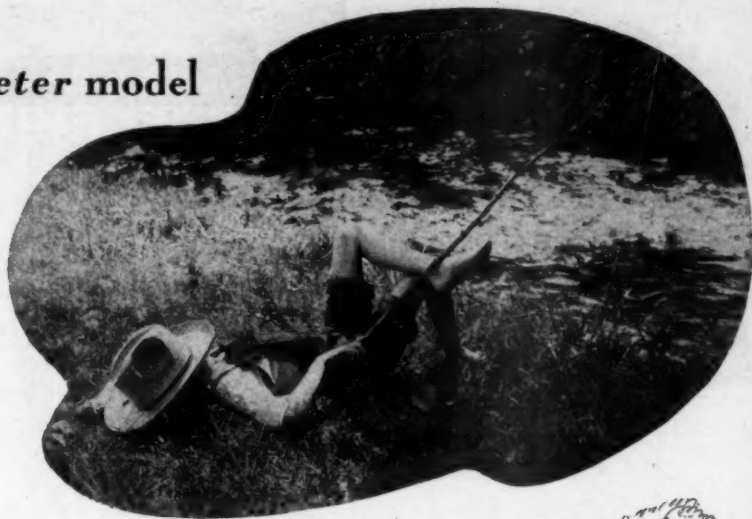
\* \* \* \*

WALTER G. HEREN, whose article on utility company showmanship begins on page 359, is now advertising manager of the Union Electric Company, St. Louis, a utility organization which he joined in 1940 to engage in public relations work. Prior to that MR. HEREN spent eighteen years in newspaper and advertising work in Kansas City, during which time he did general reporting, political correspondence, and advertising executive duties. Born in Oklahoma, MR. HEREN attended the University of Kansas at Lawrence, Kansas. He is a member of the board of directors of the Public Utilities Advertising Association.

THE next number of this magazine will be out September 23rd.

*The Editors*

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the new '93' **Remington Rand** electric adding machine

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Coming in the...



NEXT ISSUE

### TRAFFIC AND HOUSING

We hear a good deal about the need for more housing these days but not so much about the concurrent problem of traffic planning, necessitated by the construction of such housing. Leslie Williams, nationally known engineer, has turned the spotlight on housing as being complementary to good traffic control. Business and transit operators will find in this authoritative commentary some interesting conclusions about the relationship of these two vital services.

### THE NEW STREETCAR SERENADE

Something new has been added to the "dingdong ding" of the old-fashioned trolley car. Today streetcar and bus riders, in increasing numbers, are entertained by staticless FM radio programs, the operation of which costs transit companies nothing but, on the contrary, provides a new medium for profitable advertising. Hulbert Taft, Jr., tells all about this innovation.

### SELL YOUR TRANSIT SERVICE BY THE SINGLE LINE

Selling transit service was one of the older forms of utility sales promotion. It used to take the form of efforts to develop off-peak passenger traffic, such as sight-seeing and recreational resort trips. But James H. Collins, professional writer, relates how the new problems of rush hour capacity have brought forth a new type of transit promotion.

### SELLING THE PUBLIC NEED FOR HIGHER TRANSIT RATES

There probably never was a time in the history of the transit industry when the public relations factor was so important as it is during this era of rising costs and necessary fare increases. It is not enough for the average transit company to obtain regulatory authority for such increases. Public acceptance and good will are most vital accompaniments. David Markstein, author of business articles and surveys, has made a round-up story of steps taken by various transit companies to educate their patrons to the need of fare boosts.

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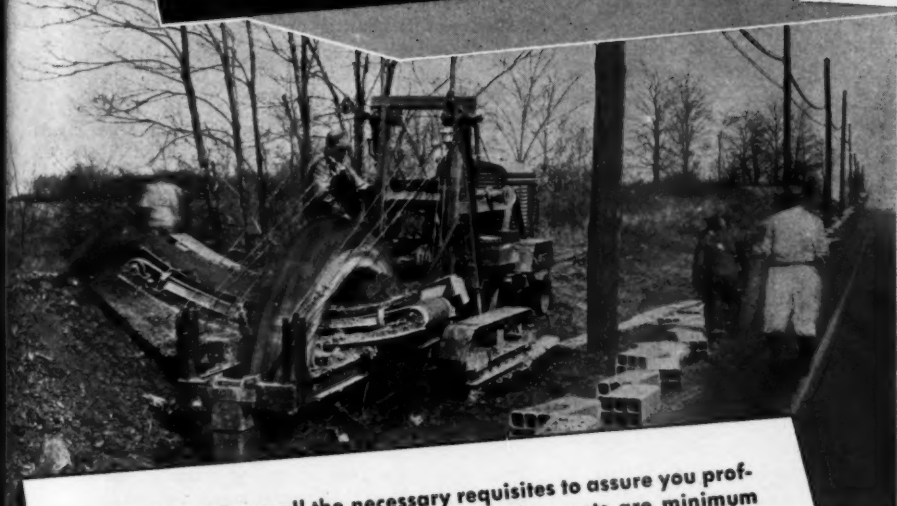
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BECAUSE OF THEIR

**ECONOMY OF OPERATION AND MAINTENANCE,  
THEIR VERSATILITY AND LONG SERVICE LIFE  
AND THEIR SPEED AND MANEUVERABILITY**



CLEVELANDS have all the necessary requisites to assure you profits on all your trenching projects. Operating costs are minimum because of low fuel consumption. Maintenance is at rock bottom because of fine engineering and sturdy, rugged, unit-type construction. Compactness, absence of excess weight, ease of handling, wide range of transmission-controlled speed combinations, and ample, correctly applied power give you in your CLEVELAND maximum usability for all types of trenching; long lines, short lines, drainage, irrigation, conduit, and building foundations.

**WITH CLEVELAND YOU'LL GET MOST TRENCH—IN  
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MARK

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# Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE

FOREST A. HARNESSE  
*U. S. Representative from Indiana.*

"Thought control is a device of dictatorship. It has no place in free America!"

JOHN ORR YOUNG  
*Public relations counsel.*

"I should like to see more product ads flavored by the public relations ingredient."

WILLIAM AVERELL HARRIMAN  
*American Ambassador-at-large  
for the Economic Coöperation  
Administration.*

"It is not for us to decide whether any other nation nationalizes its industries or not."

LEO M. CHERNE  
*Executive secretary, Research  
Institute of America.*

"Every time a man says the free enterprise system assures uninterrupted prosperity for all he is overselling his product."

CHARLES SAWYER  
*Secretary of Commerce.*

"If we feel the need to fight the ideology of Communism, the best way to do it is to strengthen our own economic system."

EDITORIAL STATEMENT  
*The Wall Street Journal.*

"The Scots have a proverb: 'Many a mickle makes a muckle.' And the Scots know all there is to know about money and its management."

CLARENCE FRANCIS  
*Chairman, General Foods  
Corporation.*

"The next age of business leadership will belong to those who count their success in terms of the greatest possible service to the greatest number of people."

R. E. WOODRUFF  
*President, Erie Railroad.*

"It has been demonstrated repeatedly that, under government operation, all initiative is lost. Our high standard of living is the result of initiative and freedom of opportunity."

WILLIAM REID  
*Chairman, New York City Board  
of Transportation.*

"The congestion being caused in the business sections of our cities by automobiles can, in a measure, be reduced by attracting people to use improved public transportation facilities."

ELMO ROPER  
*Public opinion analyst.*

"It's about time we woke up to the realization that we cannot rally the people of the world to our democratic cause by promising them just bread. In the long run we can't buy people's political sympathies with material benefits alone."

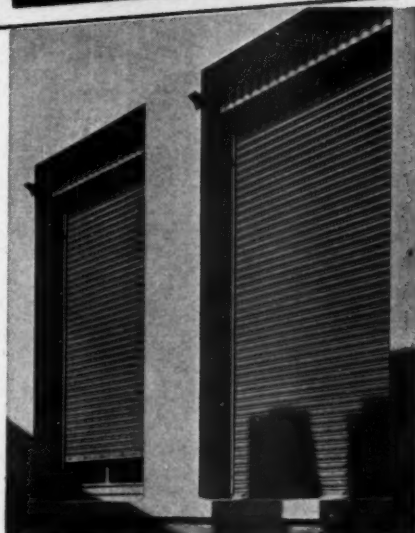
# LACK OF EFFECTIVE FIRE DOORS IS MAJOR CAUSE of EXCESSIVE FIRE LOSS

**40%** of major fires in 1946 showed lack of fire-door protection as contributing to loss\*

Guard all openings with  
**KINNEAR**  
STEEL ROLLING FIRE  
DOORS and SHUTTERS

You get *positive, automatic, dependable* fire protection at doorways, windows and other horizontal openings with the famous Akbar Fire Doors. They're *pushed* downward by a strong spring . . . *controlled* in downward speed by a special safety device . . . and operable *after* automatic closure, for emergency use. These efficient doors remain coiled out of the way overhead when not in use, but lower into place with speed and efficiency when fire threatens. They combat fire loss by cutting off drafts, blocking the spread of flames, and confining fire to small areas. Approved and labeled by Underwriters' Laboratories, they have saved as much as 33% of their cost *annually*, in reduced insurance rates. Built to fit windows, doorways or other openings of any size. Write for complete information.

Kinnear Rolling Fire Doors can also be equipped for daily service use, with or without motor operation. But the regular (non-labeled) Kinnear Rolling Doors are preferred for service use where extra fire protection is not required.



*\*In one year, out of 187 fires involving losses of \$250,000 or more, 77 showed lack of protection at doorways as a contributing factor (as reported in the January 1947 Quarterly of the National Fire Protection Association).*

## The KINNEAR Manufacturing Co.

### FACTORIES:

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Offices and Agents in Principal Cities.

SAVING WAYS  
IN DOORWAYS

# KINNEAR

## ROLLING DOORS

## REMARKABLE REMARKS—(Continued)

HENRY B. DU PONT  
Vice president, E. I. du Pont de  
Nemours & Company.

"The entire industrial system of the United States will be seriously undermined if big business and small business are not permitted to function normally in a partnership fundamental to the American competitive system."

JOHN FOSTER DULLES  
Member, American delegation to  
the United Nations.

"The great political differences between the western democracies and the Communist states is that the western democracies have developed, internally, processes for peaceful change, whereas Communism relies upon violent methods."

RICHARD B. WIGGLESWORTH  
U. S. Representative from  
Massachusetts.

"In my opinion, the enormous governmental propaganda setup is not only a gross waste of the people's money, but, over and beyond that, makes for the destruction of the proper exercise of the legislative functions of the government."

ALFRED P. SLOAN, JR.  
Chairman, General Motors  
Corporation.

"Profit possibilities essential to attracting venture capital into enterprise must be measured by the long-term position. No true investor is particularly interested in what happens in any one year or any particular quarter of any particular year."

Resolution adopted at 1948 convention  
of National Small Business  
Men's Association.

"Decentralization of government; determined and active opposition by all citizens to the continuing effort to further entrench bureaucracy in Washington through such agencies as socialized medicine, federalized education, new water power authorities, modeled after the TVA, and the like."

EDITORIAL STATEMENT  
New York Herald Tribune.

"The times require a realistic facing of problems which involve all elements in our economic system. The future—unless we want to see government dominate, rather than merely 'complement,' private efforts in difficult areas—is to a very large extent in the hands of both our business and our labor leaders."

LAWRENCE A. APPLEY  
President, American Management  
Association.

"That management which asks and expects the line supervisors, foremen, and executives to carry out the responsibilities of personnel administration without the help of a carefully selected and highly trained personnel department will soon be observing the farmers at work with oxen-drawn wooden plows."

MARTIN R. GAINSBROUGH  
Member, National Industrial  
Conference Board.

"The disciples of Capitalism need faith. . . . In too few can there be found a view that Capitalism contains within itself the same seeds of expansion as in the past century. What is needed is a favorable environment for further capital accumulation of private property and a greater degree of voluntary, personal control over its use and disposition."



## MERCROID AUTOMATIC CONTROLS HAVE WHAT EXPERIENCED ENGINEERS WANT

1. ASSURE POSITIVE SAFETY—the prime purpose of a control.
2. BUILT FOR YEARS OF DEPENDABLE PERFORMANCE—an economical feature.
3. SIMPLIFIED FOR EASE OF INSTALLATION—appreciated by the trade.
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5. THE ONLY 100% MERCURY SWITCH EQUIPPED CONTROL LINE—all "makes" and "breaks" in the electrical circuit are hermetically sealed, therefore immune to dust, dirt corrosion, open arcing, pitting, or sticking of contacts—common causes of contact trouble. Mercoid switches provide an electrical contact that will give millions of perfect operations over a long period of time.

If you have a control problem involving the automatic control of pressure, temperature, liquid level, mechanical operations, etc., it will pay you to consult Mercoid's engineering staff—always at your service.

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## Read this 10 Point Comparison

(Dodge Model F-152; 14,500 pounds Gross Vehicle Weight—and Comparable Competitive Models.)

FEATURES AND ADVANTAGES	DODGE "Job-Rated" TRUCK	TRUCK "A"	TRUCK "B"	TRUCK "C"	TRUCK "D"
Wheelbase	152 in.	161 in.	158 in.	159 in.	161 in.
Cab-to-Axle—to take 12-foot body	84 in.	84 in.	84.06 in.	84 in.	84 in.
Wide-Tread Front Axles (shorter turning—more stability)	62 in.	56 in.	60.03 in.	58½ in.	56 in.
Modern "Cross-Type" Steering	Yes	No	No	No	No
Turning Diameter * —Left —Right	50½ ft. 50½ ft.	61½ ft. 61½ ft.	60½ ft. 54½ ft.	54½ ft. 54½ ft.	66½ ft. 66½ ft.
Maximum Horsepower	109	93	100	93	100
Total Spring Length (Front and Rear "Cushioned Ride") †	194 in.	171¼ in.	182 in.	176 in.	182 in.
Cab Seat Width (Measure of Roominess) ‡	57¼ in.	52¼ in.	51½ in.	47½ in.	52¼ in.
Windshield Glass Area ▲	901 sq. in.	713 sq. in.	638 sq. in.	545 sq. in.	713 sq. in.
Vent Wings plus Rear Quarter Windows	Yes	No	No	No	No

\* To outside of tire (curb clearance.) Computed from data based on tests or computations obtained from usually reliable sources. † All four springs. ‡ Measured from production models. ▲ Computed from width and depth measurements; no allowance for contours.

Front axles have been moved back, engines forward, placing more load on the front axle. While cab-to-axle dimensions are the same, wheelbases are shorter, giving much better weight distribution. This new weight distribution, combined with longer springs, and "Air-O-Ride" seats, produces a marvelous new "cushioned-ride." You can turn in much smaller circles, both right or left—because of new type "cross-steering," shorter wheelbases and wide tread front axles.

Dodge offers 248 basic "Job-Rated" models, up to 23,000 lbs. G.V.W., up to 40,000 lbs. G.T.W.



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## EXIDE SWITCHGEAR CONTROL BATTERIES ...with the manchester positive plate

The Exide Battery with the manchester positive plate is engineered to meet switchgear control requirements. This plate is of unique lead button construction. The buttons . . . rolled strips of corrugated lead . . . are forced into holes of a special lead-antimony grid. Forming action expands the buttons and locks them securely in place. The result . . . tremendous reserve power, long life, trouble-free performance.

# Exide

## BATTERIES

Exide Batteries have earned the confidence of engineers everywhere. Their widespread use for control bus operation and other storage battery tasks is proof of their dependability, long life and low cost maintenance.

Whatever your storage battery problems may be, Exide engineers will be glad to help you solve them.

**1888...Dependable Batteries for 60 Years...1948**

THE ELECTRIC STORAGE BATTERY COMPANY, Philadelphia 32

Exide Batteries of Canada, Limited, Toronto

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# Announcing—"Pittsburgh's" Store Modernization Caravan

*exemplifying the new trend in store design and modern lighting techniques*

A NOVEL exhibition-on-wheels, the Pittsburgh Store Modernization Caravan is of interest to everyone having anything to do with retailing. Employing two truck-driven 26-foot trailers, it is a practical as well as an exciting show.

Here is a twelve-unit exhibit (each trailer holds six models) which demonstrates through "true-to-life" scale models, the latest advances in store front and interior designs, and in modern lighting techniques. Designed by a na-

tionally-known authority, the lamps and fixtures are accurately proportioned to duplicate in miniature the actual conditions met in store illumination. This Pittsburgh Store Modernization Caravan shows how present structures, as well as new buildings, can become even more effective through proper lighting and proper design.

Make sure that you visit the Pittsburgh Store Modernization Caravan when it reaches your city. Watch for its coming.



TWELVE SCALE-MODELS of distinctive store designs, like the one illustrated here, comprise the Pittsburgh Caravan. Each model is complete in every detail and simulates actual store conditions. Store exteriors, window interior arrangements and lighting are accurately reproduced.

## "PITTSBURGH" STORE FRONTS AND INTERIORS



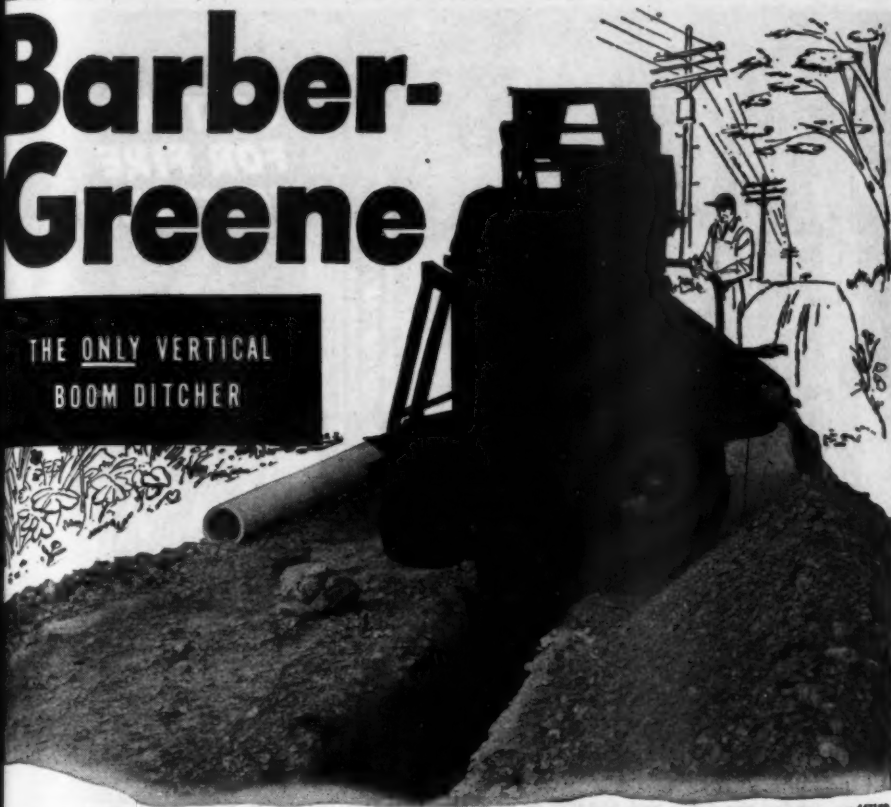
PAINTS • GLASS • CHEMICALS • BRUSHES • PLASTICS

PITTSBURGH PLATE GLASS COMPANY

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# Barber-Greene

THE ONLY VERTICAL  
BOOM DITCHER



**digs clean—leaves no ramp • discharges on either side**

Here's an exclusive ditcher feature that saves a lot of hand labor. The Barber-Greene's vertical boom digs straight down, right up to walks, foundations, underground piping and mains, etc. There's no ramp to run up digging costs.

Closely spaced, self-cleaning "kick out" buckets, traveling at high rate of speed, cut like a milling machine . . . leave a clean-walled trench. It's this efficient operating principle that gets the B-G Ditcher through materials as tough

as coral rock — down to 8 feet, 3 inches; widths up to 24 inches. Feeding speeds range from 10 inches to 8 feet per minute.

An adjustable spoils conveyor discharges on either side, and the automatic overload release protects both the machine and hidden objects.

Find out how this compact, maneuverable, easily controlled unit can keep your trenching costs down . . . and what varied work it will perform.

27A



BARBER • GREENE COMPANY AURORA, ILLINOIS

*Constant flow Equipment*



LOADERS



PERMANENT CONVEYORS



PORTABLE CONVEYORS



COAL MACHINES



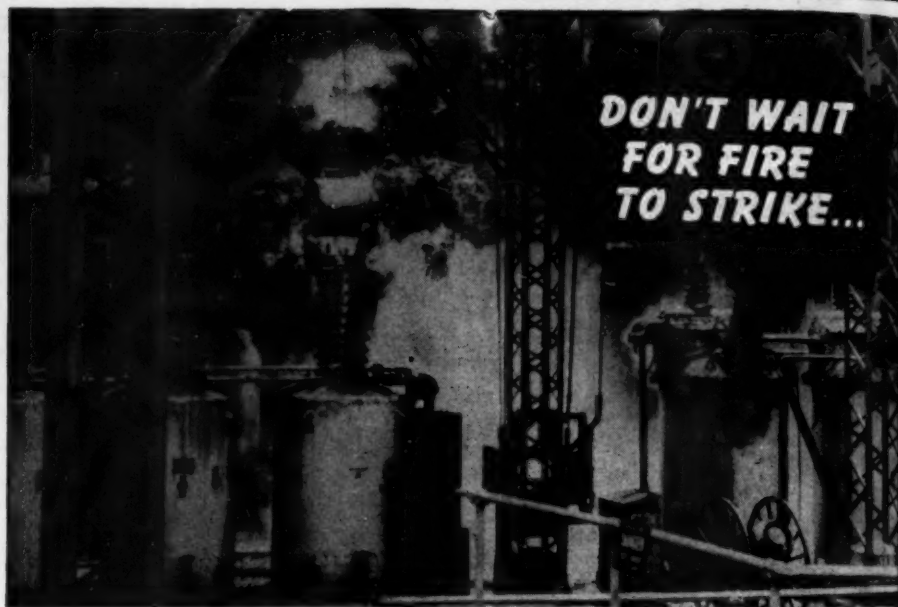
BITUMINOUS PLANTS



FINISHERS



DITCHERS



**DON'T WAIT  
FOR FIRE  
TO STRIKE...**

## Protect Now with GRINNELL Mulsifyre

Breakdown in a 16,000 k.v.a. transformer . . . severe internal arcing . . . relief disc blows out . . . oil is violently ejected . . . intense fire envelopes nearby equipment . . . two adjoining transformers let go and add to the fury of the flames. It took a 1½-hour battle to subdue the fire—and \$30,000 to replace and repair the damage!

A Grinnell Mulsifyre System now protects the equipment—as well as installations of many other public utility transformer stations.

Wide acceptance of Grinnell Mulsifyre Systems is based on a proved effective principle—

in which blazing oil is emulsified with a driving spray of water. The emulsion formed by the water spray is

fire-extinguishing—the fire goes out in a few seconds—reignation is prevented.

There is absolutely no conductivity along the discharge of a Mulsifyre projector when spray strikes conductors carrying high voltages. Mulsifyre Systems are permanently installed—are constantly on guard when operated automatically—or may be operated manually.

Recommended by Underwriters' Laboratories for use in extinguishing fires in flammable oils immiscible with water, wherever such oil is a fire hazard—in transformers and other oil-filled electrical equipment.

Don't wait for fire to strike! See that your equipment has this 24-hour-a-day protection from now on. Experienced Grinnell engineers will help you plan protection.

**GRINNELL**



**COMPANY**

Executive Office, Providence 1, R. I.  
Branch offices in principal cities.

**GRINNELL** *Mulsifyre*  
AUTOMATIC FIRE PROTECTION

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## Utilities Almanack



SEPTEMBER



9	T <sup>a</sup>	† American Society of Mechanical Engineers ends fall meeting, Portland, Ore., 1948.
10	F	† New Jersey Gas Association begins annual meeting, Spring Lake, N. J., 1948. ☾
11	S <sup>a</sup>	† Michigan Independent Telephone Association will hold annual convention, Lansing, Mich., Sept. 23, 24, 1948.
12	S	† Rocky Mountain Electrical League begins annual convention, Glenwood Springs, Colo., 1948.
13	M	† Instrument Society of America begins instrument conference and exhibit, Philadelphia, Pa., 1948.
14	T <sup>a</sup>	† American Water Works Association, New York Section, begins meeting, New York, N. Y., 1948.
15	W	† Associated General Contractors of America ends midyear meeting of governing and advisory boards, Chicago, Ill., 1948.
16	T <sup>a</sup>	† Rocky Mountain Telephone Association begins annual convention, Denver, Colo., 1948.
17	F	† Gas Division of Oklahoma Utilities Assn. begins meeting, Oklahoma City, Okla., 1948. † Maryland Utilities Assn. begins fall conference, Virginia Beach, Va., 1948.
18	S <sup>a</sup>	† National Television and Electrical Living Show begins, Chicago, Ill., 1948. ☾
19	S	† Thirteenth Annual Conference International Association of Electrical Leagues will be held, Washington, D. C., Sept. 29–Oct. 2, 1948.
20	M	† Iowa Utilities Association begins conference, Des Moines, Iowa, 1948. † Illuminating Engineering Society begins national conference, Boston, Mass., 1948.
21	T <sup>a</sup>	† Missouri Valley Electric Association begins personnel administration committee meeting, Kansas City, Mo., 1948.
22	W	† American Water Works Association, Michigan Section, begins annual meeting, Flint, Mich., 1948.

## Where Hydro Really Begins

*Snow from Genett glacier in the Wind river range of Wyoming  
swelling the flow of the Colorado river.*





# Public Utilities

FORTNIGHTLY

VOL. XLII, No. 6



SEPTEMBER 9, 1948

## Wanted: A New Federal Power Policy

*What is likely to happen to the nation's public power policy if the Republicans win the presidential election in November and regain control of Congress. Here are some provocative suggestions from a Republican leader in Congress who would have much to do with shaping the program of any new administration.*

By THE HONORABLE GEORGE A. DONDERO\*

U. S. REPRESENTATIVE FROM MICHIGAN AND CHAIRMAN OF THE PUBLIC WORKS COMMITTEE OF THE HOUSE OF REPRESENTATIVES

THE American people are expected to go to the polls next November 2nd to vote by a substantial majority to elect a Republican President and Vice President, and to return to Congress an overwhelming number of Republican Senators and Representatives—enough to give the Republican party complete political control of the executive and legislative branches of

our government for the first time since 1930.

If the people live up to this expectation—and I, personally, am fairly certain that they will—we Republicans will face a monumental task. Just to outline the scope and immensity of that job would require a book, at least, so it is not possible for me to go into all the angles of the reforms we must and will undertake.

One very vital problem that un-

\*For additional personal note, see "Pages with the Editors."



## PUBLIC UTILITIES FORTNIGHTLY

doubtedly will claim a great deal of attention from officials of the new administration in the White House, as well as the leaders on Capitol Hill, is the question of formulating a new Federal power policy. I do not presume to speak for the Republican party—we have a platform and official spokesmen who will do that. But as a Republican who has served in Congress for many years and watched the trend of government at close hand, I am vitally concerned about the future Federal power policy to be followed. Like many of my colleagues, I am determined on a course of action that, in my judgment, will help restore confidence in the American system of free enterprise and will halt the march of socialization of a vital segment of American industry.

In fact, I know that millions of Americans likewise are concerned about the course any new administration might take in the field of power and in other fields of endeavor. What's more, the path our leaders follow on policy in regard to power problems may well set the pattern for activity, or lack of activity, in other fields. An administration, no matter what its political complexion, cannot divorce its policies in the field of power from its policies in regard to various other important, complex economic problems. Housing, labor, regulation of the radio—in fact, dozens of other economic factors and problems will be treated in virtually the same manner as to administration as the public power problems of the government are handled.

government dealing with every part of our economy. If the leaders of the administration are socialistically inclined as to housing, as to aviation, and as to other facets of our economy, no doubt they will be socialistically inclined in regard to power. On the other hand, if they are convinced that a socialization of one segment of our economy means the eventual socialization of all segments, they can be expected to stand firm against further forays into the field of social experimentation and to get back on the high road of economic freedom.

I have every reason to believe that Thomas E. Dewey and Earl Warren, our presidential and vice presidential candidates, are fully aware of the facts and the incipient threat of the socialization of the American economy. Since both men started off as relatively poor men and worked their respective ways up the ladder of success, there are many reasons to believe that they have respect for the traditions of America—individual initiative and self-reliance, dependence upon one's own qualities, work, and sticktuitiveness for success. I have every reason to believe that they will be in favor of a Federal power policy that will *not* lead to further socialization of the electric utility industry of this country. On the contrary, I believe they will work to keep the Federal government out of the power business wherever-whenever possible and to help the private power industry to expand its services and its facilities in the American way.

**M**EN who want to socialize America have not concentrated only on the electrical power industry—they have permeated every branch of our

**T**HE average American little realizes just how far we have gone along the road to socialization of the electrical power industry of this coun-

## WANTED: A NEW FEDERAL POWER POLICY

try. Two whole states—Nebraska and Tennessee—are blanketed by power grids owned and operated entirely by either the Federal government or local governmental subdivisions or power "districts." The Tennessee Valley Authority rules supreme in Tennessee, while various local incorporated public groups run the power companies in Nebraska. The state of Washington likewise threatens to become the third state to socialize this important industry. Socialization has made important inroads in Oregon and Kentucky and in the first congressional district of Mississippi, plus some scattered counties in all the states bordering Tennessee.

No wonder, as so many astute observers already have noted, the private electrical power industry in America has not been able to make the progress it should have made in building up a comfortably safe margin of power reserve. In the next several years, this industry will be seeking at least \$6 billion in new investment. About half of this money will come from sources the industry can tap readily—its own savings, or from banks. The other must come from freely investing Americans with extra funds in every walk of life. Already, some \$15 billion is invested in the private electrical utilities of this nation. Is there anyone who seriously

believes that the new, needed investment funds will be forthcoming readily if the Federal government continues its present trend in policy toward taking over the privately owned electrical utilities in the United States, or to running them out of business by indirect methods?

It is perfectly apparent to me that policies followed by the Federal government for sixteen years have tended to depress the utilities bond market and common stocks to a point far greater than generally is realized. Millions of Americans who otherwise might invest their savings in electrical utilities are putting these funds to work in other fields, in the thought that, at any time, the capricious government leaders we have had may make it possible for the government to make new inroads into the private electrical power field.

Long ago, Alexander Hamilton wrote in *The Federalist*: "The natural cure for an ill administration, in a popular or representative constitution (government), is a change of men."

A victorious Republican government next January 20th would begin to build anew—a new set of standards in government—a new Federal power policy—a new edifice of liberty—on the shoulders of new men. These men



**Q** "MEN who want to socialize America have not concentrated only on the electrical power industry—they have permeated every branch of our government dealing with every part of our economy. If the leaders of the administration are socialistically inclined as to housing, as to aviation, and as to other facets of our economy, no doubt they will be socialistically inclined in regard to power."

## PUBLIC UTILITIES FORTNIGHTLY

have ideas and ideals far different from those of the men who have been in control of the government so long. The new men will have "know-how" in their hearts and minds to lead the people to a better land of promise. They will be as interested in preventing discriminations against investors as they are in preventing discriminations against voters who may have the balance of power in this or that bailiwick. They will be interested in preventing injustices to be perpetrated on the energetic and healthy as well as on the aged and the needy.

It is a matter of public knowledge, of course, that the present Secretary of the Interior and his immediate predecessor are socialists at heart, at least on the issue of public power. Both Harold Ickes, the great self-styled curmudgeon, and J. A. Krug, the former chief engineer of the Tennessee Valley Authority, have been long-time advocates of the socialization of American power. The only difference between them on this issue is one of degree. Ickes wanted to socialize the electrical utilities of America as fast as he could do it by executive order. Krug believes in going a little slower.

**I**CKES long since has departed the public stage. Krug soon will be on the way out. A new man will be placed in charge of the Department of the Interior, with its vast powers stretching from the shores of the Potomac to the silvery tides of the Pacific. This new man, whoever he may be, will not be a has-been lawyer, political hack, or radical zealot with ideas of making over America. He will, I hope, be a man trained in public administration, friendly to the American business sys-

tem, knowing in the ways of government. He will be working to make America stronger by helping Americans to improve themselves—through their own initiative and enterprise.

In contrast consider the philosophy expressed by the present Reclamation Commissioner (whom the 80th Congress voted to oust from office next January for lack of qualification). Reclamation Commissioner Straus, late in June, sent before the Stockholm, Sweden, meeting of the International Congress on Large Dams, a study and comparison of policy followed in 21 countries in financing irrigation and other water developments. This Straus study commended the policy of direct national government spending as a "liberal" policy. He even expressed some impatience over the insistence of some "western countries," including his own, that the beneficiaries of such improvements should pay back part of their cost. "It is significant," Straus explained, "to note that all countries in the Western Hemisphere require some repayment of capital costs by the irrigators. Policies in the Western Hemisphere, being newer, appear to be less liberal in this respect than most of the older, more mature, policies in those countries which have had centuries of irrigation experience under government guidance." What kind of thinking do we have in present control of our public power policy when such a big Federal official seems to be apologetic about his own country's lack of "mature" guidance as compared with such "liberal" Old World and Eastern countries, including Russia.

**I**T is a fact, hardly open to dispute, that all during the Thirties, when

## WANTED: A NEW FEDERAL POWER POLICY

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### New Inroads into Private Power Fields

*"... policies followed by the Federal government for sixteen years have tended to depress the utilities bond market and common stocks to a point far greater than is generally realized. Millions of Americans who otherwise might invest their savings in electrical utilities are putting these funds to work in other fields, in the thought that, at any time, the capricious government leaders we have had may make it possible for the government to make new inroads into the private electrical power field."*

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Communists, parlor pinks, and other incipient social reformers were in charge of our government, that the radicals were most active in the field of power policy. They knew—as so many simple Americans overlooked—that the power industry of a nation is at once its strongest and its weakest link. In the hands of Americans—of men who love the American way of life—the power system of this country is strong and can be a bulwark against aggression. It can serve America each year in more and better ways. But in the hands of a few bureaucrats who have in mind an undercover design to communize America, the electrical power system of this country could prove to be our weakest defense link—in our fight against subversion at home or enemies overseas. In such a case, we would be at the mercy of men who, by

underhanded methods, had gained control of the most vital part of our industrial and commercial system, because the electrical industry serves all people and all industry.

So it is obvious that "a change of men," as Alexander Hamilton wrote so long ago, "is the natural cure for ill administration" in the field of power in this country. We Republicans do not want—and we will not have—men on regulatory commissions such as the Securities and Exchange Commission, the Federal Communications Commission, and the FPC (to name only a few) who want to make over America into a state not too dissimilar to the Soviet Russia which tyrannizes so many millions of the world's citizens today. We want men to serve on these commissions who are born and bred in the traditions of America, who love

## PUBLIC UTILITIES FORTNIGHTLY

the American system, who are as determined as possible to keep the maximum number of our citizens free from economic tyranny of any kind.

**T**HE plain truth is, many of the encroachments made against private enterprise in general and the privately owned electrical power industry in particular in the past several years have not been due so much to the laws in effect as they have been due to weird and fantastic interpretations of those laws by agency bosses in a position to make their decisions stick. New administrators will cure much of this bureaucratic-made law.

But a mere change of men cannot solve all our problems in this vital field. There must be new policies. And, with all due regard to the powers and prerogatives of the executive branch, Congress must set the policies under which the administrators and regulators work. Therefore, it is of the utmost importance that a positive Federal power policy be outlined by Congress and that Congressmen who favor this policy be supported by the millions of people who want to keep America free.

It is apparent to me that the American people are not as aware as they should be of their stake, as individuals, in fixed and consistent, straightforward Federal power policy. There still are millions of Americans who are opposed to Socialism and Communism who support men and movements who would either socialize or communize the privately owned power companies of this country. These citizens have been led to believe, subtly but surely, that it is possible to have an economy half slave and half free. They have been led to think that it is all right for

them to make a profit off their labor, or from their rental investments, or from a retail store, but that there is something pernicious and stifling and bad about a profit of an investment in public utilities. The evidence of history shows clearly that whenever and wherever private electrical utilities have been taken over by the state, further socialization is inevitable.

**T**HERE is not a single country in all the world that has in the beginning socialized its utilities industries which did not eventually go farther and socialize other industries. In Great Britain it was the telephone industry first, and now one by one the other utilities have fallen under the shadow of the cancerous growth of state Socialism as practiced by the Labor government: railroads, coal mines, gas, and electricity. The people of the European nations know now that one step toward Socialism generally leads to another and another and another—until, finally, the entire economy of a nation becomes subject to the control of a vast bureaucracy, which in turn is self-perpetuating. This, in essence, becomes economic Fascism—a deadly, blighting economic disease that kills the individual liberties of citizens as surely as it takes away their individual property and their right to own a business, a farm, or even a home.

The new President may well lay down a set of general principles which he and his administrators will follow in administering the laws which Congress passed. We can be sure that the new President will be more constrained to accept the plain meaning of congressional laws, and not attempt, as his predecessors have done, to subvert the



## WANTED: A NEW FEDERAL POWER POLICY

plain meanings of the law or to challenge or defy Congress by his administration of the law.

One of the most important ways in which a new President, cooperating with Congress, can help the American people and the American system of free enterprise is through prohibiting employees of the executive branch from engaging in propaganda to increase the size of their agencies and to socialize American industry. We have seen many abuses of the law in this respect in recent years. Congress could not, as some naïve people seem to think, strictly prohibit propaganda, for the very word itself is subject to varying interpretations by every person who wants to use, or misuse, it.

THE truth is, the men in the Bureau of Reclamation, the Bonneville Power Administration, the Tennessee Valley Authority, and other agencies, have followed a "party line" all their own in their propaganda through the years. They consistently have pictured the owners of private power utilities as rich overlords, oblivious to the needs of the people, and anxious to squeeze from the American populace the last possible penny of illegal profits. They have attempted, by every device possible, to make the American business community hate a particular segment

of that business community—the electrical utility industry of the nation. They have worked hand in glove with the Communists and the Socialists to push public power development wherever and whenever possible. They have pulled out all the stops in their race to set the socialistic technique into irrevocable operation in America before the American people could awaken.

Happily for us, happily for the nation itself, they have not succeeded. A new administration of our power affairs will assure us who believe in the American system of freedom that our hopes and works have not been in vain. We can stop the trend toward increasing the number of publicly owned power facilities, toward bureaucratic control, and we can turn the government into paths of freedom for the good of all—consumers and investors alike.

I believe that wherever we have power in any of the river basins of this country, no matter where they are located, it should be developed. I am for that. The reason I am for it is that water power is never depleted. The power necessary to create electrical energy, which the country needs (and needs more every year), is never depleted. At the end of a year there is just as much power and just as much water as there was at the beginning.



"OUT in the West, in state after state, one or the other of the Federal agencies concerned with electrical power have grandiose plans for the construction of huge distribution systems to take this power to communities they claim want it. These planned facilities almost invariably parallel existing distribution facilities owned by private electrical utilities now in business, now paying taxes, now trying to serve the people on their lines at as low a cost as possible."

## PUBLIC UTILITIES FORTNIGHTLY

That power and energy will take the place of other diminishing fuels our nation needs—such as coal and oil.

**B**UT I am opposed—and I believe that Americans as a whole should be opposed—to the Federal government going into business in competition with its own citizens. Millions of Americans own the private power companies of this land. At least a third of all money invested in the electrical utilities of America comes from insurance companies, which are using the money entrusted to them by policyholders. If Uncle Sam is to build these dams and power facilities—as he must, in many instances, unless he can contract to have private agencies do the work—then the government should follow a policy of selling the power at the bus bar, or at the dam, to all comers, without favoritism or discrimination.

As matters stand today, under existing law, when such dams are built, there definitely is favoritism and discrimination in the sale of this power. A lower rate is offered to public agencies—frequently not enough to pay the interest on the cost of the project, much less amortize Uncle Sam's investment. This is discriminatory in many respects.

It discriminates against the taxpayers who finance the project. It discriminates in favor of the taxpayers who are lucky enough to be close enough to the project to get this cheaper power, without regard to its real economic cost. It discriminates against investors in private power companies that may be trying to obtain some of this power for sale on a just, economic basis. It discriminates in favor of

demagogues and politicians who are trying, whether they mean to do so or not, to socialize America.

**O**UT in the West, in state after state, one or the other of the Federal agencies concerned with electrical power have grandiose plans for the construction of huge distribution systems to take this power to communities they claim want it. These planned facilities almost invariably parallel existing distribution facilities owned by private electrical utilities now in business, now paying taxes, now trying to serve the people on their lines at as low a cost as possible.

I say that it stands to reason—political and economic reason—that the power should be sold to these privately owned utilities which already have the facilities to distribute the power. Further, I say that it stands to reason that, if new communities not now served by electrical power want to be so served, it would be best for the Federal government to encourage private industry to develop the untapped territory, purchasing the power generated at government dams built in the public interest for flood-control, conservation, or other laudable purposes. The bureaucrats know nothing about distributing power not known to private engineers and executives working for private power companies. As a matter of fact, there are many good reasons to believe that private companies serve the people more faithfully and more vigorously than do public power agencies. The people always are the ones who should be pleased, but, under public operation, the point soon is reached at which it appears that the bureaucrats are the ones to be served.



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THE law as now written, relating to the Bonneville Power Administration, the Tennessee Valley Authority, and the various projects of the Army Engineers, definitely is favorable to public ownership. These same laws also promote disdain for Congress on the part of the bureaucrats. These same laws discriminate against privately owned utilities to a marked degree. These laws can and should be changed by the next Congress so as to halt the trend toward socialization of this vital industry and to encourage privately owned, tax-paying utilities to serve to their fullest the people of our nation. The private power industry cannot serve well without adequate investment funds. It cannot get such funds at reasonable terms in the face of perennial government encroachment, repression, and competition. It cannot help America fulfill its destiny unless it is given the same measure of fair play our other great industries enjoy in our free society.

Testimony before a committee of the 80th Congress by government power engineers and officials furnished Congress with conclusive proof that, if the same cost formula were applied to public agencies as must be applied to privately owned utilities, the price of power sold to the people would be the same. Even if engineers had not admitted this to be true for the record, it would stand to reason that it would be so, for the bureaucrats have no secrets of power development or operation not known to private management. And private management has a greater incentive to serve—for if it does not do the job well, under regulation, the regulatory authorities are in a position to order it to do so or to allow someone

else a chance to serve the people. That is the advantage of private ownership of utilities under regulation. Government is not a competitor, but it occupies its traditional and accepted rôle of policeman under the Constitution. If private management fails, it is replaced with more competent management. But the threat of socialization does not hang heavy, heavy over management's head constantly, like a sword of Damocles ready to fall and wreak irrevocable harm to the industry.

A GOOD Federal power policy will encourage competent members and staffs of the regulatory authorities and of the various commissions who must pass on the complex economic questions which inevitably arise.

A good Federal power policy will prohibit government administrators from spending their time and energies and the tax money of the people of the United States in efforts to socialize the American utilities industry.

A good Federal power policy will include consolidation and renovation of existing Federal power agencies. Some agencies should be abolished and their functions transferred to other, more logical, agencies. Perhaps a new over-all agency will have to be formed to correlate the work of all the agencies to be sure that one administrator is not working for one goal while another administrator is headed in a diametrically opposite direction.

A good Federal power policy will encourage the development of the electrical utilities and the other utilities of this country by private industry, although adequately regulating such private industry to prevent abuses injuring the consumer interest.

## PUBLIC UTILITIES FORTNIGHTLY

A new administration, working closely with Congress, can go far in a year to restore the confidence of the American people in the private utilities of this nation and in the government which regulates all of us in more or less degree.

WHATEVER happens under a new Republican administration, every American investor—present or potential—can be sure that the laws passed, the policies inaugurated, and the administrative plans followed will be to protect Americans who strive and work and save and invest, not to penalize them for the benefit of the shiftless and the ne'er-do-wells. We Republicans are

divided on some issues, but on this issue we are of one mind. We want our nation to live up to the dream of Joel Marlow of Connecticut who wrote as early as 1787:

"The American Republic is a fine theater for the display of merit of every kind. If ever virtue is to be rewarded, it is in America."

Let's all work to keep America a "fine theater for the display of merit." Let's reward the investor-owned utilities of America by letting them serve us better—thus rewarding not only ourselves and our land, but the millions of Americans who have put their funds to work through the privately managed utilities of our nation.

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**"T**HE average citizen is only vaguely aware that the Federal government continuously touches and influences his daily thinking. But, when he stops to reflect, he must realize that a host of Federal agencies and activities exert a constant, and often decisive, influence upon his own and his neighbors' opinions. Yet, I doubt that any but the most thoughtful students of American government understand how vast is the range of this influence; how tremendous is the machinery through which this influence is exercised.

"Everyone in Congress is keenly conscious of the tremendous, immeasurable power of this Federal machine, for he comes in direct, personal contact with it every day. He lives with the lobbies, good and bad, which constantly seek to influence the course of legislation, and he can hardly fail to know that the most powerful, most persistent of them all, is the Federal lobby. It works around the clock, every days of the year.

"The first instinct of bureaucracy is self-preservation. The second is expansion. Like any living organism, an administrative agency, once launched, seeks constantly to justify its existence—to perpetuate itself and to expand. In the salubrious climate of government paternalism which has prevailed in Washington since 1933, bureaucracy has luxuriated into a tropical jungle. It has grown to the alarming extent that it touches and shadows the daily life and daily thinking of every citizen."

—FOREST A. HARNES,  
U. S. Representative from Indiana.

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## Health, Retirement Benefits For Utility Employees

Characteristic provisions in the plans of several prominent companies, including allowances on retirement and stipulations for disability, medical care, and hospitalization of employees, wives, and children.

By MARION HAMMETT\*

**L**ABOR turnover in utility companies is small compared to that in other industries. It is possible that one of the main reasons for this is the health and retirement benefits which employees of utility companies receive. As an example, the vast majority of the 29,000 employees of the Consolidated Edison Company of New York have unusually long service records, the average being eighteen years.

Medical care is the core of the employee-benefit plan of this company. The plan, initiated fifty-seven years ago, is sponsored in part by the employer and in part by the employee and employer jointly. Under this company's health and medical care program, more services are made available at a lower

cost than under most similar programs.

The Consolidated Edison Company, however, is not the only utility firm granting such benefits. The Potomac Electric Power Company of Washington, D. C., also has a very good plan for the employees of the company. As has the Pacific Gas and Electric Company and its subsidiary companies.

Not only do the utility companies have excellent health and medical care programs, but this industry leads all others in setting up retirement plans which will care for the employees in their old age.

**I**N the Consolidated Edison Company, virtually 100 per cent of the employees eligible participate in the company's benefit program through the medium of the employee's mutual aid society, which was organized in 1891.

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Benefit membership in the society is open to all regular employees paid on a weekly or semimonthly basis, who have had three months of service. Supervisory and executive employees are excluded.

The Potomac Electric Power Company also permits all regular employees who have had two months of continuous service to be eligible for health and retirement benefits. In the Pacific Gas and Electric Company, employees must become members within sixty days after they are hired by the company.

All three companies permit the employee hospital and health benefits, though the amounts paid differ in these three cities. In New York city, an employee who chooses and pays for private or semiprivate room care instead of a ward, is reimbursed by the company at the rate of \$4 a day. In Washington, D. C., the employee receives \$6 a day for such care and, on the Pacific coast in San Francisco, he receives up to \$8 a day.

**N**ATURALLY the monthly premiums paid by the employees differ too. Let us see how this works out: In the case of Pacific Gas and Electric Company, the employees receive up to \$8 a day for hospital room and board. They may also receive an allowance up to \$1,000 for special hospital services. There is a maximum surgical operation benefit up to \$500 and an ambulance benefit up to \$50. Home calls are paid up to \$4.50 a call. And there is an additional accident expense benefit up to \$300. In addition, the employee may be granted up to \$500 for medical care.

The Pacific Gas and Electric benefits for wives and children from three

months to nineteen years are up to \$8 daily hospital services, up to \$500 allowance for special hospital care, and a maximum of \$500 for a surgical operation. There is also an additional accident expense benefit of \$150 and an ambulance benefit of \$50.

For the privilege of obtaining these generous benefits, the member pays \$2.70 a month if only he is covered by the plan. He pays \$5.10 monthly for himself and one dependent and \$7.50 monthly for himself and two dependents. These apply to all sickness and all accidents for which a member or dependent is not covered under the Workmen's Compensation Act. And the member or dependent has a choice of hospital or physician.

**I**N the case of the Consolidated Edison Company of New York, the medical plan for employees includes—medical care for any disability, whether work-connected or not, at a company medical bureau or at a district doctor's office. Benefits, however, are not paid to an employee while he is receiving Workmen's Compensation.

Medical care is under the supervision of the company's medical department, which includes the full-time medical director and his two full-time assistants, thirty-three physicians and specialists, seventeen nurses, nine pharmacists, thirty-three district doctors, forty-four district dentists, and a number of other medically trained persons. In addition, twenty-two specialists are on call as the need arises.

The company's six medical bureaus are located at the main office and at its key plants. Employees may receive preventive treatment, diagnostic aid, check-ups after illness, routine physi-

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cal examinations, and treatment during illness. A district doctor is a private physician paid by the company for home and office calls. He is paid \$2 for office visits, \$3 for home visits, and \$4 for calls on Saturdays, Sundays, and holidays.

As we previously stated, this company pays the patient up to \$4 a day for hospital expenses. However, unlike the other two companies mentioned in this article, the employees can have their families covered if they join the Associated Hospital Service of New York and pay for themselves and their families. This means that the employee of the Consolidated Edison Company is covered by the company plan and the other hospital plan. He can, however, only be reimbursed by one of them.

FOR these privileges and other medical care, the employees who are covered by the plan pay one cent for each \$1.80 of their base pay. For example, a man earning \$54 a week would be paying \$1.30 a month for his health benefit plan.

Now in the case of the Potomac Electric Power Company of Washington, D. C., the health benefit plan provides \$6 daily benefit for hospital expenses, with a maximum reimbursement of \$30 for special services. For dependents, the daily hospital reimbursements are \$4.50 a day with a maximum

reimbursement for special services of \$22.50.

The \$6 daily benefits will be payable to the member for a maximum of thirty-one days for each period of disability due to a different cause or for successive periods of disability. For hospital confinement due to pregnancy or resulting childbirth or miscarriage, the maximum period is fourteen days. Neither of the other companies pays for maternity cases.

The monthly payments which the Pepco employee must make for the coverage of hospital, surgical benefits, and a \$1,500 life insurance policy are \$1.50 for himself alone, \$2.05 if he has a child or children but no wife living, \$2.30 for himself, wife, and children. Both company and employees pay into the fund for the health, life insurance, and surgical benefits.

This, then, briefly shows the health and surgical benefits of the three different companies. Most employees join these plans because of the benefits they receive. The cost is low to the employees since the companies contribute to these health funds.

### *Retirement Plans for Employees*

ALL three of these utility companies have retirement plans for their employees. In the Pacific Gas and Electric Company, employees who completed at least one year of continuous

**Q** "LABOR turnover in utility companies is small compared to that in other industries. It is possible that one of the main reasons for this is the health and retirement benefits which employees of utility companies receive. As an example, the vast majority of the 29,000 employees of the Consolidated Edison Company of New York have unusually long service records, the average being eighteen years."



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service uninterrupted by layoffs and are then under the age of sixty if women or under sixty-one if men, may join the retirement plan.

The plan in this company provides for joint contributions by employees and the company. Employees earning \$3,000 a year or less contribute 2 per cent of their earnings. Those earning more than \$3,000 a year or less contribute 2 per cent of the first \$3,000 and 4 per cent of all earnings in excess of \$3,000 a year.

The annual retirement income to be provided under this plan will be 1 per cent of the total amount of earnings on which the employee contributed 2 per cent, and 2 per cent of the total earnings on which the employee contributed at the rate of 4 per cent.

An employee's normal retirement date is the first January or the first day of July nearest the sixtieth birthday if a woman, and nearest the sixty-fifth birthday if a man. First payment is to be made on the normal retirement date and subsequent payments will be made monthly thereafter, ceasing with last payment preceding the employee's death.

**E**Mployees who leave the Pacific Gas and Electric Company may withdraw all the contributions in cash. If the employee has been a member of the retirement plan continuously for ten years and has passed her forty-fifth birthday if a woman, or fiftieth birthday if a man, contributions may be left with the insurance companies and employees will receive on the normal retirement date the income which was purchased by both their own and the company's contributions up to the date service was terminated. This means

that the company gives such employees the benefit of all contributions the company has made for them during such period.

In the event of the death of an employee before retirement under the plan, a death benefit equal to the total amount of his contributions to the plan will be paid to his designated beneficiary. Should death occur after the retirement of the employee, any excess in the amount of his contributions over the amount of retirement income will be given his beneficiary.

The dependent of the employee may elect to receive a reduced amount of retirement income for the rest of the dependent's lifetime. The amount of this retirement income depends on the age and sex of the dependent named by the employee, and on the percentage of the retirement income elected to be continued to the dependent.

**T**HE Consolidated Edison Company also has a retirement plan but this is different from the one maintained by the Pacific Gas and Electric Company. In the case of Consolidated Edison, the company maintains a voluntary noncontributory pension plan which is administered by the personnel department.

The Consolidated Edison's plan may be discontinued at the company's discretion though the plan has had continuity for a long number of years. The company's liability for past service has been great, due to the present high average age (forty-four) and average length of service (eighteen years) of its employees and the very low quit rate.

Employees are eligible for benefits under the plan when they are retired





### Security Plans for Public Utility Employees

**“WITH** such excellent old-age security plans for public utility employees throughout the country, it is easily understandable why they have such good employee-employer relationships. . . . the company can justify its expenditures for its employees’ medical care on the grounds of safety and morale, and the state public service commission considers these expenditures properly absorbable in the company’s rate (price) structure.”

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for age or for physical disability, and, at the discretion of the company’s board of directors, for other reasons. Retirement is compulsory at age sixty-five for men and sixty for women. Disability retirement may be made effective at any age.

Pension benefits under the plan are payable in the form of either a retirement annuity which affords the pensioner an assured monthly income for the rest of his life, or a separation allowance which provides income for a limited number of months or weeks, determined by the total amount of the allowance payable in the particular case. To be eligible for an annuity, the employee’s service and age combined must total seventy-five years or more. Combinations of service and age which total less than seventy-five warrant the payment of a separation allowance.

**B**ENEFITS average 2 per cent of estimated basic salary per year of service, and are determined by certain factors. Age at retirement and length of continuous service (limited to the last thirty years prior to retirement) determine the benefit rate and the average basic salary.

The maximum total amount which any employee can receive under the pension plan is \$15,000 annually. Social Security benefits are deducted from pensions payable under the plan. Pension payments cease upon the death of the retired employee. The pension plan is financed, not as insurance, but out of operating expenses, on a year-to-year basis. During 1947, the company paid out \$3,883,909 in pensions.

The Potomac Electric Power Company permits all employees who have completed twelve months’ service on

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or after January 1, 1948, and are under sixty-five, to join the retirement plan. Both employees and the company contribute to this plan.

Normal retirement date for all employees in the service of the company after December 31, 1947, is the first day of the month next following the employee's sixty-fifth birthday (except that employees who reach sixty-five after June 30, 1948, and before January 1, 1949, will be retired on the latter date).

**M**ONTHLY retirement income at normal retirement date for service with the company prior to January 1, 1936, is intended to be at about 2 per cent of accreted average monthly earnings of each year of service to that date. The annual retirement income to be provided under the new plan will be about 1 per cent of the total amount of earnings on which the employee contributed about 2 per cent.

An employee may elect to receive during his lifetime retirement income at a reduced rate, to be contributed after his death at 50 per cent of such reduced rate to a joint annuitant (wife, mother, sister, or other person) so long as the latter shall survive him. Or he may choose to receive during his lifetime retirement income at a further reduced rate to be continued after his death at the same rate to a joint annuitant so long as the latter shall survive him.

If an employee whose service with the Potomac Electric Power Company terminates for any reason other than death, after completing fifteen consecutive years of contribution under the plan, the employee may elect to leave his contributions with the Equitable

Life Insurance Company. He will then be entitled to receive retirement income accrued from his and the company's contributions for service during the period of his contribution.

**I**N the event of death before the employee's retirement, the beneficiary will receive the sum of the amounts he has paid as contributions, together with such interest as is credited under the plan on his contributions made subsequent to December 31, 1944.

In the event the employee dies after retirement, any excess in the amount that the employee has paid as contributions, together with such interest as is credited under the plan on his contributions made subsequent to December 31, 1944, over the amount of retirement income received, will be paid to the beneficiary designated by the employee.

Most of the utility companies have some form of retirement plan for their employees. Other examples are the Jersey Central Power & Light Company and the Laclede Gas Light Company of St. Louis, Missouri. The first of these two companies grants, in addition to the Social Security benefits which an employee will receive at sixty-five, retirement benefits with ten years of service at sixty-five or with twenty years of service at fifty-five. If a beneficiary is to receive payments, the retired employee must elect to take a reduced monthly retirement benefit.

The Laclede Gas Light Company has a retirement plan to which both company and employees contribute. Retirement age is sixty-five with at least ten years of service. An employee with ten years of service may retire before he is sixty-five with a reduced annuity.

## HEALTH, RETIREMENT BENEFITS FOR UTILITY EMPLOYEES

With such excellent old-age security plans for public utility employees throughout the country, it is easily understandable why they have such good employee-employer relationships. As the company representatives of the Consolidated Edison Company point

out—the company can justify its expenditures for its employees' medical care on the grounds of safety and morale, and the state public service commission considers these expenditures properly absorbable in the company's rate (price) structure.

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### Co-op Tax Exemption Draws New Customers

“ONE of our recent discussions of the tax privileges of coöperative businesses produced a letter from a reader, an officer of a small but prosperous business corporation in the Middle West. The major portion of it follows:

“‘A few years ago we investigated the possibility of changing our corporate structure to that of a coöperative, at the suggestion of some of our stockholders. This, in brief, is what we learned:

“‘It was very possible and decidedly advantageous. The corporation's present owners of common and preferred stock could accept 8 per cent, nonvoting, nonparticipating, preferred stock of a coöperative for their original invested capital; the accrued surplus (the money put back in the business) and their preferred stock. Then, by merely issuing common stock and selling it among our former customers, we could easily and properly qualify as a tax-exempt coöperative in every respect.

“‘The changed capital structure (from corporation to coöperative) would have paid the present stockholders of the corporation approximately 300 per cent more dividends than they were then averaging.

“‘Obviously a change from a corporate structure paying taxes to a coöperative was most advisable. This was true because the earnings of this company as a coöperative could be tax exempt and our difficulties in providing adequate capital for business expansion, modernization, etc., could and would have been supplied continuously out of the money the corporation ordinarily paid as taxes, and still our nominal profits (if we were a coöperative) could be constructively paid to our patrons or paid to them partly in stock, so that capital for expansion and increased earnings would be simple to attain.

“‘However, our stockholders turned the idea down cold. They didn't think such a tax situation could long exist in the United States. I still don't understand why it has, but I know that, unless corrected soon, the day of small business and free enterprise will be over, for coöperatives are fast absorbing factories in all fields of endeavor and entering every activity.

“‘This is not a letter for publication. We cannot afford the publicity because coöperatives are presently too strong to risk any of their threatened boycotts of those active in opposition to their present tax-exempt status.’”

—EDITORIAL EXCERPT, Chicago Tribune.



## Marvel of Atomic Energy

Nature, peculiarities, and mathematics of this mighty force and consideration of the prospects of its use for electric power.

By M. M. SAMUELS\*

**T**HE intelligent newspaper reader is bewildered. Will we really soon be able to split a couple of atoms in the cellar and secure enough energy for practically nothing to light our lamps, drive our motors, run our railroads, automobiles, and tractors, and fly to Australia? What has been written in the papers and magazines is often so confusing to the intelligent lay reader that he stands in awe before the atomic scientist as if he were some monstrous heathen god. It is not because atomic bombs blew up some cities. There were explosions before; the bombs in World War II, prior to the atomic bomb, were larger and did more damage than those of World War I. The layman does not understand, and often is not even curious about the physical and mathematical details of the explosions of these bombs.

The atomic bomb is still more devastating, and everyone, all of a sud-

den, wants to know what it is all about. It is as if the layman were assuming that he understands thoroughly all other theories of physics and the mathematics involved, yet considers himself an ignoramus because he cannot comprehend all the details that he reads in the newspapers about millions of volts of energy, cyclotrons, atom smashers, geiger counters, isotopes with their different identification numbers, fissions, new names for new parts of the atom, chain reaction, and similar expressions.

The intelligent reader may properly stop to think that he can be reasonably expected to have just as little conception of standard, ordinary, daily-observed routines, such as combustion, the various degrees of common heating processes, the functioning of the electric motor, transformer, or fluorescent lighting, the mathematics of the intricate mechanism of an automatic machine, and similar everyday phenomena. He sees pictures in the papers of blackboards with atomic formulae and wonders if he is getting "behind the times" because he does not grasp

\*Former chief engineer, Rural Electrification Administration, and author of "Power Unleashed." See also "Pages with the Editors."

## MARVEL OF ATOMIC ENERGY

their full significance. Yet, he has just as little conception of the formulae which the engineer or chemist uses in his daily work. He understands just as little of the jargon that a mechanic uses in his conversation with another mechanic of the same trade.

Is it really necessary to scare the public with concepts patently beyond its comprehension? Modern engineering is itself so specialized and sub-specialized that a highly trained electrical engineer, engaged in one specialty, does not try to understand a paper or discussion on another. The layman, likewise, when he calls in a mechanic to fix a pump or a radio knows that it is utterly unnecessary for him to understand how the mechanic does his testing to find the fault and how he proceeds to do the repairing. In many cases the mechanic himself does not understand the functioning of some intricate instruments that he uses for testing to locate a flaw in a piece of apparatus or machinery. He can do the job competently without all that knowledge.

This confusion or public sense of frustration over "atomic ignorance" is probably the responsibility of scientists themselves. They write articles for newspapers or hand out information to newspapermen in the specific terminology that they use among themselves, a shorthand language which saves them much time, but might as well be Greek to the layman.

This is all by way of an introduction to a common-sense approach to grasping the over-all significance of atomic fission through which the intelligent layman, such as a public utility businessman, can learn what he needs to

know about its present status of development and future possibilities as they affect his life and business.

FIRST of all, it is necessary to glance at the tools that the scientist uses. It is not necessary to understand how these tools were invented, designed, and developed nor the details of their functions. First comes mathematics. Mathematics is the tool of the physicist and the engineer. Without mathematics the physicist would be like the Chinese farmer who plants without even a horse, instead of the American farmer who uses a tractor. Many problems could not be solved at all without mathematics. Mathematics was not invented to make the life of the sophomore miserable, but to make that of the physicist easy.

Those readers who have no use for mathematics in their daily work need not feel ignorant because they do not know it. The astronomer deals with such enormous distances and the nuclear physicist with such small particles that the human mind, even that of the physicist, cannot comprehend them physically. He can only comprehend them mathematically, and probably will never be able to comprehend them any other way except mathematically. So we need not get disturbed when we read about those millions, billions, and trillions or millionths, billionths, or trillionths. Some of the figures that astronomers use are so long that there is no paper long enough on which it could be written out or printed in one line. A shorthand method had to be invented and symbols had to be used.

SUCH is the symbol known to everyone who has studied ordinary algebra.



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bra, as the "ten to the power" and the "ten to the minus power." It is no mystery; it is not the sacred property of the physicist; it is a simple shorthand method of avoiding the necessity of writing out ten or twenty or thirty zeros after the figure "1" or "2" or "6" and to make it unnecessary to count those zeros in each case. Instead of writing down all those zeros the symbol merely says how many zeros there are. Instead of saying "1,000," the mathematician or physicist says  $1 \times 10^3$  (one times ten to the third power). It means that there are three zeros after the one. Instead of saying 6,000,000,000, the physicist says  $6 \times 10^9$  (six times ten to the ninth power). It means there are 9 zeros after the 6. In nuclear physics and astronomy, figures are used with 30 and more zeros. The same applies to fractions. Instead of saying: Six divided by a billion, the physicist says  $6 \times 10^{-9}$  (six times ten to the minus ninth power).

It is now easy to explain what those "millions of volts of energy" are. Everyone is familiar with the 110 volts of household supply. It is not really a quantity of energy. That would be represented in kilowatt hours. Everyone who pays an electric bill knows that. The volt is a measure of the *intensity* of the electric energy, not its quantity. Electric energy of 10,000 volts is more intensive and more dangerous than

electric energy of 110 volts. Similarly, the temperature is not a measure of the amount of heat energy, but only of the intensity of the heat.

A VERY small amount of energy at high temperature, such as a match or red hot pin, could burn a hole in our hands. The nuclear physicist, when he speaks of volts, uses it as an abbreviation; he really means "electron-volts" which is a measure of energy. It is difficult to understand why this term was adopted; it is certainly confusing. Another name for the small energy unit would have been better than "electron-volt." But here it is used and we have to know what it is, because the newspapers are full of it. An electron-volt is so small an amount of energy that neither we nor the physicist can comprehend it physically; we can only comprehend it mathematically. One kilowatt hour of energy is consumed by one 100-watt lamp in ten hours.

But what is kilowatt hour composed of—quantitatively? One kilowatt hour contains  $225 \times 10^{23}$  electron-volts, or 225 with 23 zeros behind it. Now, the layman need not even remember the number of zeros. It is sufficient to remember that the electron-volt represents such a small amount of energy that he cannot and need not comprehend its smallness.



**Q** "... the bombs in World War II, prior to the atomic bomb, were larger and did more damage than those of World War I. The layman does not understand, and often is not even curious about the physical and mathematical details of the explosions of these bombs. The atomic bomb is still more devastating, and everyone, all of a sudden, wants to know what it is all about."



## MARVEL OF ATOMIC ENERGY

Jumping from the small to the very large, it is necessary to understand also that these millions of electron-volts can relate to the composite of a particle of matter which is so small that it likewise cannot be conceived physically; it can only be conceived mathematically. The number of such small particles in an ounce or in a pound is so great that again the number cannot be conceived physically. And the amount of such energy in a pound of matter, therefore, may be so enormous that again it is impossible to conceive it physically and we must be satisfied, as must the doctor of science or the doctor of philosophy, to conceive it mathematically.

Now we are ready to look at a picture of atomic energy. What is atomic energy? What is a chain reaction? When we compress a spring in a jumping jack and then release the latch, the jack will jump. The energy we expended in compressing the spring is stored up and *released*, and used for the jump. When we carry a brick up to the fourth floor and then drop it out of the window, it will damage something on the sidewalk or will hit a passing person on the head and kill him or injure him. The energy we expended in carrying the brick to the fourth floor is *released* to do the damage.

When water is heated in a boiler it becomes steam. Steam is loose water, or we can say that water is compact steam. Both are made up of the same small particles which the physicist calls molecules, so small that neither we nor even the physicist can have a physical conception either of the size or of the great number of them contained in a single glass of water. In some remote

process of creation, *great quantities of energy were expended by nature to compress those particles into water and to hold them together.* The physicist knows how much that energy is, but this is no longer high-brow stuff and need not trouble the intelligent layman, even though he knows no more about it than about atomic energy, so the figure need not be reported here.

STEAM, being loose, takes up more space than water. The energy delivered as heat under the tank is released inside the tank to break the water up into its small molecules and to form steam. When steam is formed, the whole empty space in the tank is at once filled with that steam. As more steam is formed it forces its way into the same space and its pressure becomes greater. This pressure may become so great that the tank is no longer strong enough to hold it and blows up. Thus, the energy *released* by the heat may not only change water into steam but may also bring about an explosion unless there is a relief valve.

Rocks, metals, and all other materials observable in our daily life are likewise made up of molecules, held together in compact masses by great amounts of energy exerted on them in some remote process of nature. If we should need the same materials in the form of smaller parts, such as dust, we could use a sledge hammer, exert our energy, and break them up. But to do that, we may have to exert more energy than is released by the turning of solid lumps into dust.

WHEN we light a piece of wood or a pile of coal with the miniature amount of energy of a match, then the



### Ignorance of Atomic Bombs

**"T**HIS confusion or public sense of frustration over 'atomic ignorance' is probably the responsibility of scientists themselves. They write articles for newspapers or hand out information to newspapermen in the specific terminology that they use among themselves, a shorthand language which saves them much time, but might as well be Greek to the layman."

wood or coal will continue to burn of its own accord, and give us heat. Here we no longer deal with the molecules. We deal now with atoms. Each molecule is made of smaller particles known as atoms. Again, in some remote process of creation enormous amounts of energy were exerted to compress these atoms into molecules and hold them together. In the process of the fire, the molecules fall apart into atoms. The atoms of wood or coal combine with the atoms of the oxygen of the surrounding air to form the flue gas. Now, the only energy we expended was in striking the match. The process of burning continues of its own accord and gives us all the energy we require in the form of artificial heat. *This is the chain reaction.*<sup>1</sup> *Simple as all that.* Here too, the physicist knows how

much energy is released when a ton of wood or a ton of coal is burnt. But the layman need not bother; he is only interested in what atomic energy will do for him. So the figure will not be mentioned here.

Now, the little atom is again made up of still smaller particles known as nuclei, electrons, numerous other particles which are now commonly used in the discussion of atomic energy, and probably some particles or combinations of particles as yet unknown.

**A**GAIN, enormous amounts of energy were exerted in some remote process of creation to compress those particles into atoms and to hold them together. It is obvious that much more energy was required to compress atoms into molecules and to hold them together than was required to compress molecules into solid lumps and to hold them together. Similarly much more energy was required to compress nu-

<sup>1</sup>This simile for the chain reaction was first used in the present author's book "Power Unleashed," Dorset House, 1942. The manuscript was completed in 1932 and not changed prior to publication.

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dei, electrons, etc., into atoms and to hold them together. If we succeeded in breaking up the atoms into their smaller particles, enormous amounts of energy would be released and we could use it to serve man or for his destruction.

Every form of energy that we release can be used for human benefit or for destruction, as is known to everyone in the case of fire. Prior to the discovery of radium we only knew how to break up lumps of material into molecules and how to break up molecules into atoms. We did not know how to break up atoms into their smaller particles. We knew that if we ever found out how to do it, enormous amounts of energy would be released either for benefit or for destruction. But it was also known that it would have to be in the nature of a chain reaction, like applying a match to a pile of wood which then continues to burn of its own accord. It would be of no use if we had to handle it continually like we do when we apply the sledge hammer to a rock. Even after radium was discovered, it was nature herself which broke the atom up into those smaller particles and released the energy into that beneficent and dangerous radiation. We did not know how to do it.

MANY years ago, Einstein established that not only can those subparticles of the atom release energy when the atom is split into such component particles, but that these particles can *disappear entirely and turn into energy*. He even established, at that time, a simple mathematical formula by means of which anyone who knows primary grade algebra can compute how much atomic energy there is

in a given amount of mass of any material—uranium, coal, gold, or anything else. And yet, about thirty years ago, Einstein said:<sup>2</sup> "At present there is not the slightest indication of when this energy will be obtainable, or whether it will be obtainable at all . . . science in its present state makes it appear almost impossible that we shall ever succeed in so doing."

In that statement, Einstein did not even consider it necessary to mention that if we ever succeeded in obtaining atomic energy, it would first be necessary to discover or invent a chain reaction for that purpose. It was almost thirty years after Einstein made that statement that a chain reaction was discovered by scientists by mathematical reasoning followed by the development of a chain reaction in the laboratory by other scientists. Then it was Einstein himself who assumed the responsibility of recommending to the President of the United States that America proceed to concentrate all the scientific talent and financial resources at its disposal to develop an atomic bomb.

ACCORDING to Einstein, the amount of atomic energy is the same in the same amount of mass, no matter what the material is. Some day chain reactions may be developed for other materials than uranium, such as coal, wood, water, or oil. Everyone is now talking about the Einstein formula. Even the girls at Smith College are reported to have had a dance entitled *Ee equals Em times Cee square*, which is the Einstein formula:

$E=Mc^2$ , in which E is the energy

<sup>2</sup>"Einstein, the Searcher," by Alexander Moszkowski, page 24. Methuen & Co., Ltd., London, 1921.

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(expressed in a unit known as the Erg, and there are 36 trillion or  $3.6 \times 10^{13}$  ergs in one kilowatt hour).  $M$  is the mass measured in grams and  $C$  is the velocity of light, which is 300,000 kilometers or about 186,000 miles per second.

Coming down to something we may be able to conceive, *this formula means that a pound of anything contains  $1,320 \times 10^7$  kilowatt hours of energy, which is 11,320 millions of kilowatt hours.* Thus, the atomic energy in one short ton of coal is  $2,264 \times 10^{10}$  kilowatt hours, or 2,264 with 10 zeros behind it.

Of course this energy could only be released if the whole ton of coal would disappear entirely and turn into energy. We are far from any such perfection in the technique of atomic fission. We are even quite remote from securing atomic energy from coal at all. According to John R. Menke, in the April, 1948, issue of the *Bulletin of Atomic Scientists*, the best we can ever expect would be about 10,000,000 kilowatt hours from one pound of uranium.

**I**N 1947 we consumed in the United States 305 billion kilowatt hours of electric energy and we may expect to consume soon about 400 billion kilowatt hours. Some of this comes from water power, but most of it comes

from fuel, such as coal or gas. If all of it came from coal, we would require on the average about one pound of coal per kilowatt hour or a total of 400 billion pounds of coal, which is 200 million short tons of coal. If we used atomic energy to generate all our electric energy and only got 10,000,000 kilowatt hours from a pound of uranium, we would require only a total of about 35,000 pounds, or  $17\frac{1}{2}$  tons, of uranium to get all our electric energy for one year.

**W**HAT then are the prospects of using atomic energy, or, as it is now generally called, nuclear energy for generation of electric power? Our problem with energy sources is not so much how to get the energy; it is more how to confine it and guide it to do useful work at our command instead of running wild and exploding or otherwise doing infinite damage. For water power we have to do this. We have to build enormous dams and appurtenances costing millions of dollars to guide the water through the wheels that drive the electric generators, instead of letting it run wild and flooding everything in sight. Our gas in the kitchen has to be guided to the flame for cooking and controlled so that it will not escape without burning, thereby poisoning those in the house, or filling the room and then exploding.



**Q**UOTE "MATHEMATICS is the tool of the physicist and the engineer. Without mathematics the physicist would be like the Chinese farmer who plants without even a horse, instead of the American farmer who uses a tractor. Many problems could not be solved at all without mathematics. Mathematics was not invented to make the life of the sophomore more miserable, but to make that of the physicist easy."

## MARVEL OF ATOMIC ENERGY

WHEN we use steam at 2,000 pounds pressure and 1,000 degrees temperature, it is no small job to guide the steam to the turbine that drives the generator instead of letting it explode. It took years to develop metals that would stand up under this terrific pressure and temperature. Even with the special metals of which the steam pipes are made, the wall of the pipe is perhaps 3 inches thick. And anyone can at least imagine what a job it is to make the joints tight so the steam will not escape, and to cover the pipe so that the heat will not get lost by radiating out into space.

With the nuclear energy in a single pound of mass, be it uranium or coal, enormous beyond our conception, it is easy to see what gigantic problems are involved in confining it so it will serve our prescribed purpose instead of running wild and causing damage all over. Besides, nuclear energy produces radiation on the order of radium, but much more powerful than radium. Everyone knows what a great amount of care those who handle radium must exercise to protect themselves from damage or even death. The danger with the nuclear energy now used is incomparably greater than with radium. Lead of great thickness must be provided to protect those who work in the plant. They must always go around with electrosopes or special photographic film in their pockets to detect any dangerous radiation. Concrete is being considered now instead of lead. Scientists are devoting their time to determine how thick the concrete has to be to establish safety.

BUT even if a certain thickness of concrete, perhaps 20 feet or more,

is now considered safe, it is not known what will happen to the concrete after it will have been exposed to this powerful radiation for several years. Perhaps its characteristics will be so changed that it will no longer offer any protection. These are but a few of the problems facing the engineer who may desire to participate in the development of nuclear energy for generation of electric power. There are many other problems known to the engineer and still others that will reveal themselves as the work progresses, as is usually the case with engineering development.

Some irresponsible statements have been made about an immediate revolution in power supply. But these statements were not made by power engineers. Lately, the statements in the newspapers have become saner. All of this of course relates to the use of nuclear energy for heating boilers, either existing boilers or new boilers to be designed, to replace the present coal or oil fire. No changes are considered in the other part of the powerhouse, nor in transmission and distribution. Research should be and is being continued, both by the government and private interests.

THERE is no doubt that the problem will eventually be solved. We may even be expected to hear soon of an experimental nuclear boiler installation here and there (such as the Brookhaven, Long Island, pilot plant now under construction). The so-called isotopes, which are radioactive materials, have already contributed their share to the improvement of various materials. These isotopes themselves may help bring out the



## PUBLIC UTILITIES FORTNIGHTLY

kind of materials needed for nucleonic boilers and may even assist to make it economical. But there will be no power revolution. The present power systems will continue to render service, will continually improve that service, and will not stop the installation of new boilers and new steam turbines.

After all, those who use electric light do not particularly care whether the electric energy they use in the light comes from water power, steam power, or nuclear energy, as long as the service is reliable and the rate reasonable.

Another possibility is to do away with boilers and turbines and convert the nuclear energy directly into electric energy. This "direct conversion" has been discussed by laymen more than by engineers for many years. Nucleonics may make it possible. Possibly someone in some obscure laboratory, or heavily endowed laboratory, has already solved it. Possibly someone has solved it or is about to solve it without any laboratory, just by paper and pencil. If and when this is made possible, it will likewise call for a slow, long development and will not bring about any revolution in power. Researchers should not be discouraged by the fact that the best estimates at present do not seem to show any economic benefits over the modern boiler. All new things are expensive. As times goes on, the cost is reduced.

As reported in *The New York Times* of January 31, 1948, Dr. Robert F. Bacher, physicist member of the

United States Atomic Energy Commission, made the following statement before the annual dinner meeting of the American Physical Society:

The practical production of electric power from nuclear reactors will almost surely come. There will probably be a small-scale production within two years. While there are many difficulties to be overcome, we look forward to the operation of a large-scale reactor for the practical production of electrical power within, say, ten years.

This can be taken as official and authoritative. It certainly does not look like an immediate revolution in power.

Nucleonic heat for electric generation for a possible future atomic war is a different story. It may be assumed that an enemy possessing atomic bombs would concentrate on the destruction of coal mines and oil fields which are easier targets than powerhouses and transmission lines. Those in the know are no doubt studying the situation. If they should decide that it is necessary for the national defense not to wait for natural development, but to concentrate all efforts, just as was done in the case of the atomic bomb, to bring out a practical way of applying nuclear energy on a large scale for electric generation, no one will object, and no one will start any argument about economy. There is no economy in war. If anything is developed along that line, the operators of those power systems who made the most progress in steam generation should be invited to operate such equipment in connection with their own power systems and thus acquire competent experience that no amateurs could acquire.





## Utility Company Showmanship

Special dramatizations of the annual report for the instruction of company supervisors and the benefit of investors in its securities.

By WALTER G. HEREN\*

ADVERTISING MANAGER, UNION ELECTRIC COMPANY

THE utility business is not show business, of course, but it would be an easier life for those of us in utility public relations if it were.

The movies and the radio should have convinced us that the public likes its information with "the pickle in the middle and the mustard on top."

So, why not inject some showmanship, some dramatization into our business—enough, at least, to humanize our companies by a broader understanding?

We at Union Electric went into show business for a time last spring. We dramatized our 1947 annual report for 700 company supervisors, and while we were at it, we took the show, with a different script, to Hotel Biltmore, just a stone's throw from Broadway itself.

It all began many months ago when Union Electric was casting about for some dramatic medium of presentation which would do justice to the story

contained in its annual report. Most companies have felt for some time that their annual reports somehow fall short of sufficiently accenting company achievements—this, in spite of the fact that such reports have been produced with increasing stress and strain in an effort to make them readable and interesting. In this there is a world of improvement still to be made. But the familiar magazine format, while it may do the trick as a mailing piece, will not fill the bill for a live audience.

So Union Electric dramatized its report.

For a long time it has been the custom of the company to have a dinner for its 700 supervisory employees on special occasions. Last winter the management felt that the story in the company's annual report should somehow be emphasized for the benefit of supervisors—who, of course, comprise the management team—and that the supervisors, whose efforts are primarily reflected in annual reports, should have a dramatic preview of the report.

\*For personal note, see "Pages with the Editors."

## PUBLIC UTILITIES FORTNIGHTLY

**W**HEN the idea of a well-staged show was advanced, the only reaction of management was that it "better be good." A show in the Broadway sense was out of the question, of course; but following a general plan, including a script, each executive whose departmental activities were treated in the annual report presented orally that portion of the story for which he was responsible. There were nine speakers, each limited to a talk of not more than ten minutes.

These talks were enlivened by slides, motion pictures, and other visual aids. A large number of colorful slides were produced together with a unique colored motion picture. In addition, a large 10-foot replica of the annual report was made for one side of the speakers' table and, to balance it, a system map of the company in the same proportion was provided for the other side. The speakers' table itself was especially constructed so that each speaker had before him a microphone and a light to turn on during his part in the program. The large annual report replica was supplied with bold figures and a man was assigned to turn to the proper pages whenever a speaker referred to them. Spotlights picked up the annual report whenever it was referred to.

On March 5th the presentation was given to the supervisory group in the Gold room of Hotel Jefferson in St. Louis, the performance being introduced by J. W. McAfee, president of Union Electric. The show was an unquestioned success. Comment, including that in newspaper columns and editorials, was so flattering that when, later, it was suggested that the show be slightly revised and presented else-

where, it seemed the natural thing to do.

**U**NION ELECTRIC has always been vitally aware that its over-all public is in reality composed of several different groups with slightly varying interests in the company. There are the employees, the stockholders, and the customers. Then, too, there are those who invest in all the different types of its securities.

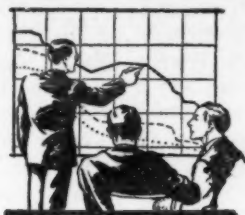
While Union Electric was more than ordinarily interested in its vast expansion program and felt that a good expansion job had been done, the story did not seem sufficiently emphasized in the limited space requirement of the annual report.

It was, therefore, decided to revise the script and take the show to New York for presentation to financial writers, bankers, brokers, and investors. After several more rehearsals, the story took on a real professional finish.

On May 4th, Union Electric gave its second presentation—this time in the ballroom of the Hotel Biltmore, New York city, before a large audience. President J. W. McAfee, calling the meeting to order, spoke from a platform at one end of the room. Seated on either side of him were eight other top executives of the company.

As the lights went off, Mr. McAfee was picked up by two pin-point spotlights. "Our emphasis today is on the future," he said. "The future of both our company and the area it serves. Although the electric utility industry is over a half-century old, it is still relatively in its infancy so far as potential growth is concerned. At Union Electric, we have embarked on an ex-

## UTILITY COMPANY SHOWMANSHIP



### Utility Annual Reports

**"M**OST companies have felt for some time that their annual reports somehow fall short of sufficiently accenting company achievements—this, in spite of the fact that such reports have been produced with increasing stress and strain in an effort to make them readable and interesting. . . . But the familiar magazine format, while it may do the trick as a mailing piece, will not fill the bill for a live audience."

pansion program which will double our size in the next fifteen years. We intend at this time to present our plans as well as the men who will provide the leadership in developing them."

**T**HE spotlight then moved to McAfee's left and picked up John A. Woodbridge, vice president and general counsel, who gave a brief legal setting for the company's operations. He was followed by G. K. Miltenberger, superintendent of production and distribution, who described the physical factors of Union Electric and took the audience on an air tour of the system by means of a colored motion picture which had been produced by the company's photographer especially for the occasion.

Next, Mark Covell, director of supply service, outlined the major raw material problem—coal supply. Stanley Stokes, chief engineer, then described the engineering problems of the com-

pany and narrated a color film showing the laying of submarine cable under the Mississippi river, which was made last winter.

Turning to the human side, Vincent Brennan, vice president and director of personnel, told how the organization functions with respect to its employees. He was followed by A. H. Schettler, vice president and comptroller, who outlined the future in terms of finances.

M. E. Skinner, vice president in charge of sales, then gave a comprehensive appraisal of tomorrow's market for electricity and explained the necessity for the company's expansion program. How the company intends to accomplish its expansion was discussed by Ralph E. Moody, executive vice president, in the final talk.

The presentation was concluded by Mr. McAfee with an explanation of its purpose. "We have," he said, "a firm belief in the necessity for good

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public relations at Union Electric. Every effort is made to keep all of our 'publics' fully informed. You, too, as representatives of the financial and investment heart of our nation, are a significant public to Union Electric, and we have a profound interest in your understanding of our record and our possibilities."

**A**FTER adjournment, a reception was held in an adjoining room of the hotel, where seven large displays were on view. These panels contained pictures, pamphlets, illustrations, and charts which supplemented the general heading given to each. These headings were: "Our Area," "Personnel," "Financial," "Public Relations," "Sales," "Operations," and "Engineering." In addition to these displays there were smaller exhibits containing copies of the annual report for 1947, a system map, and a public information table.

Leading New York and St. Louis newspapers carried very favorable accounts of this presentation of the company's story.

In St. Louis all three metropolitan newspapers devoted nearly a column each to the show. The St. Louis *Star-Times* said editorially:

"Nine officials of the Union Electric Company of Missouri were explaining in New York the other day the company's 15-year expansion program. What they told an assembly of financial writers and representatives of financial institutions, however, was more than a story of how Union Electric proposes to invest \$386,000,000 in expansion and improvement of its facilities. It was a statement of the company's confidence in the St. Louis area.

"Here in St. Louis, Union Electric has proved its readiness to keep step with progress. Its past record, in fact, is one of keeping a step ahead to be sure that it can serve the community's needs. It built Bagnell dam and the Venice No. 2 plant when the skeptics looked upon these projects as expansion beyond the likely needs. This vision paid off not only for Union Electric, but for St. Louis as well, when war industries sprouted and this city became the third ranking center of war production.

"With this record as background, the company officials in New York could speak convincingly of the soundness of their estimates for the next fifteen years. Describing St. Louis as the 'core' of the 3,200-square-mile area Union Electric covers, President J. W. McAfee said, 'Our emphasis today is on the future of both our company and the area it serves.'

"He pointed to the steady growth, stability, and economic diversity of St. Louis. And if he claimed some credit for Union Electric, it was abundantly justified. Union Electric has proved itself a pace-setter. Outlining its 15-year program in New York, its officials were testifying that St. Louis is prepared to move ahead. Better testimony as to the city's future or a more eloquent expression of confidence is not to be found."

**T**HE final objective of the meeting was to implant in the minds of New York business leaders the size and scope of Union Electric's present operations and the future possibilities of both the company and the area it serves.

Utilities have no place in show busi-

## UTILITY COMPANY SHOWMANSHIP

ness other than to keep the footlights glowing.

But there is definitely a place in the utility business for good, intelli-

gently applied showmanship. Having produced two hits in one season, the question now is: What on earth can we do next year? We'll do something.

### Who Profits from American Business?

"**M**ANY of the objections to our present system are based on fallacies. Let us examine a few of them. For half a century, soap-box orators, wily subversives, and well-meaning but misled reformers have spread the completely erroneous idea that workers get the smallest share of the income which manufacturing produces and that the owners receive fabulous amounts. Actually, out of every dollar of sales made by a manufacturer, 47 cents go for materials and supplies, of which 35 to 45 cents go to the workers who produce those materials. Nine cents go for taxes of which 4 cents are paid to government employees. Six cents go for depreciation, maintenance, repairs, and interest; 2 cents for advertising, and 1 cent for research. That leaves 35 cents from the sales dollar of which the employees get 29 cents. The remaining 6 cents are profit of which 3 cents are set aside for tomorrow's jobs by reserves to buy new machines and to expand plants. The remaining 3 cents are paid to stockholders, who are the owners of the machines, the tools, and the factory buildings.

"All told, approximately 85 cents out of every dollar of sales by manufacturers go for salaries and wages.

"Stymied in that argument, the critics then turn their guns on the 3 cents that go to the owners. They give the impression that American business is owned by a mere handful of individuals. Here again, they must face the facts. Actually, some 14,000,000 people own shares in American industry; workmen, teachers, grocers, bus drivers, and many others who have saved and invested their money. These securities are much like promissory notes; receipts, if you will, for the money which the firms borrowed from these individuals and on which they attempt to pay interest in the form of dividends.

"In addition to these direct owners of American business, there are 54,000,000 who have life insurance policies, and 50,000,000 who have savings accounts. All of these people are vitally interested in the successful operations and profits of American business, because the insurance companies and banks in which they have deposited their money have, in turn, reinvested most of these funds in the securities of American business.

"Thus, it is apparent that the vast majority of our population receives direct or indirect benefits from American business."

—HARVEY S. FIRESTONE, JR.,  
President, Firestone Tire & Rubber Company.





## OUT OF THE MAILBAG

### No Flood for TVA

WE have just seen the July 15th issue of your magazine containing an article "Single Purpose Flood Control Pays Off in Ohio," by John P. Callahan which contained the following statement on page 71, reemphasized by your editorial treatment on page 73:

Even the \$800,000,000 Tennessee Valley Authority, with its 19 reservoirs, 8 of which are on the main stream, must have had some embarrassment when the Associated Press circulated nationally on February 15th the report that "On the Tennessee river the flood waters were too much for the great dams set up by the TVA. The huge reservoirs filled and the water was released to rush over the low country."

Mr. Callahan is identified as a "Writer of utility, financial, and news developments for *The New York Times*," presumably to lend the article an air of authenticity in the light of the *Times*' outstanding reputation for accuracy and fairness. Mr. Callahan should have read his own newspaper, on February 21st, which said editorially, under the title "TVA Handles a Flood":

Latest reports on the recent high water in the Tennessee valley again confirm the efficiency of TVA's system of tributary and main-river dams. The great reservoirs of Norris, Cherokee, Douglas, Fontana, and Hiwassee, on the tributary streams, took all the water that was poured into them and had plenty of room left. By this means, the flood crest at Chattanooga was cut ten feet, with an estimated saving of \$6,000,000.

The editorial concluded:

It is important that these facts be understood. They are of record and in no way affected by political or economic controversy. They stand for sound engineering. We have a right to look forward to a day when comparable engineering will control the flow of the Missouri and other rivers not yet adequately under man's domination.

To give Mr. Callahan his due, the paragraph quoted above from his story contains one accurate statement: TVA was indeed "embarrassed," as what organization is not when

it becomes the target of a wholly false statement. The statement of the AP is categorically wrong: (1) The flood waters were not "too much for the great dams set up by the TVA"; (2) the "huge reservoirs" did not fill; and (3) the TVA flood-control system functioned as planned, and at no time was the release of water out of control.

Even after this February, 1948, flood, which under natural conditions would have been the seventh largest of record at Chattanooga, had been controlled, the TVA reservoirs still contained sufficient storage space to have controlled the largest flood (1867) ever recorded at that point, as well as to have reduced crests on the lower Ohio and Mississippi rivers had flood conditions of those streams required it.

—W. L. STURDEVANT,  
*Director of Information, Tennessee Valley Authority.*

EDITOR'S NOTE.—In view of the fact that the Associated Press did run a corrective story the day after its February 15th release, on which Mr. Callahan's quoted statement was based, the editors agree that in fairness Mr. Sturdevant's letter should be published. The main purpose of Mr. Callahan's 2-part article, however, was to stress the value of the work done by the 100 per cent flood-control dams in the Miami and Muskegon valleys without Federal aid. His exposition along this line has not been refuted; and his reference to TVA was only incidental to his principal message. It seems to be a fact that no flood damage occurred at Chattanooga during the February rise in the Tennessee river, although it apparently was decided to release some water from Chickamauga dam.

### Ex-commissioners in Private Jobs

I FOUND very interesting the article by Robert E. Stromberg, concerning former regulatory commissions who went on to other important public posts. How about an article on the many ex-commissioners who succeeded in private jobs, such as Alexander Forward of Virginia, Carl D. Jackson of Wisconsin, and William A. Prendergast of New York, to name three?

—G. E. MORELAND,  
*New York city.*



# Washington and the Utilities



## *New Faces on Commerce Committees*

THE Interstate and Foreign Commerce committees of the respective chambers of Congress will witness a certain number of changes when the 81st Congress comes back for the regular session next January. From the viewpoint of utility industries, these are the most important committees in Congress. It is within their province to handle all legislation affecting the Federal Power Act, the Natural Gas Act, the Communications Act, the Holding Company Act, and other regulatory bills.

Relatively speaking, compared with size and the ordinarily heavier turnover in the lower house, more changes will come in the Senate committee. The present chairman, Senator White (Republican, Maine), is retiring. So are Senators Hawkes (Republican, New Jersey) and Moore (Republican, Oklahoma). Senator Stewart (Democrat, Tennessee) was recently defeated in his state primary, leaving another vacancy on the committee to be filled. Senator Johnson (Democrat, Colorado) faced a stiff primary this month. Senator Tobey (Republican, New Hampshire) may decide to succeed Senator White as committee chairman, in whose place Tobey acted during White's illness early this year. But this would mean relinquishing his post as chairman of the Banking and Currency Committee.

If Tobey does decide to waive the Interstate Commerce chairmanship, the gavel would pass to Senator Reed (Republican, Kansas), author of the simplified gas legislation (S 2757) presented late in the second session to replace the

shelved Moore-Rizley Bill (HR 4051). If Representative Rizley (Republican, Oklahoma) is successful in his campaign for Senator Moore's Senate seat, he may qualify for appointment as a member of the committee. From this point of vantage, Rizley might be expected to push legislation to amend Natural Gas Act.

ONLY three of the House committee members are so far definitely out of the running for reelection. Representative Lea, former chairman and ranking minority member from California, is retiring. Two other Democrats, Representative Chapman of Kentucky and Harless of Arizona, are running for other electoral offices. Representative Hugh Scott (Republican, Pennsylvania) continues to remain in the race for reelection to the House, notwithstanding his post as chairman of the National Republican Committee. However, it is assumed that if he conducts a successful presidential campaign for Governor Dewey, he may be rewarded with some high office in the administration shortly after next January. All Representatives, of course, face general elections this fall and several also face stiff primary contests.

## *Krug Gives Congress the Hotfoot*

THE Interior Department big guns apparently found a way to get back at the Republican Congress for writing legislative restrictions into the Interior Department Appropriation Bill for the current fiscal year. It has virtually told the congressional committees in charge of Interior appropriations that the department is going to do as it pleases from now

## PUBLIC UTILITIES FORTNIGHTLY

to the end of the year, restrictions or no restrictions.

Of course, nothing can be done about the most galling of the curbs put into the Interior Appropriation Bill—the provision which automatically ousts Reclamation Commissioner Straus and several of his aides after this year, because they are not qualified engineers. But Secretary of Interior Krug has served notice that he has no intention of complying with the report of the House and Senate committees dealing with the spending schedules and allocation of funds on various Missouri valley projects.

Interior's new appropriation bill carries a lump-sum appropriation for these projects. And, ordinarily, this would mean that Interior could shift funds among the various projects in any way it saw fit. However, in the committee reports accompanying the appropriation bill, Congress earmarked specific amounts for each of the numerous Missouri valley projects. The House Appropriations Committee followed this procedure. So did the Senate committee. So did the House-Senate conference committee which wrote the final, compromise version of the bill.

Thus, Congress clearly expressed its intent about how Missouri valley funds should be spent—even though it did not make that intent a matter of law.

**L**AST month, Interior Secretary Krug wrote Representative Ben J. Jensen (Republican, Iowa), chairman of the House Appropriations subcommittee for Interior Department. Mr. Krug said that the proposed schedule of expenditures laid down by the House and Senate committees provided inadequate funds for some projects. Therefore, he said, Interior planned to transfer funds from other projects in order to make up the deficiency.

Representative Jensen's reply was curt and to the point. In effect, it said: "Congress has declared its intent. Interior Department will do well to abide by that intent—in spirit as well as letter."

Nevertheless, Interior officials say the department probably will go ahead with

the shifting of funds proposed by Mr. Krug.

Since Congress is not in session, there is little the bureau's critics on the House and Senate committees can do about Krug's refusal to follow instructions. Those within the department point out, however, that a committee report, even though agreed to by both branches of Congress, does not necessarily constitute the intent of Congress *per se*. In other words, if Congress as a whole had intended to place a specific restriction on the department's allocation of funds, it could and should have done so in the form of express language written into the act itself. Hence the decision of the department to comply with the exact letter of the law while disregarding its spirit as exemplified by the committee's report.

Several years ago the Interior Department had a similar brush with Congress over the building of a transmission line in California out of unexpended balances after the House Appropriations Committee had specifically denied funds for the purpose of building such a line. In that case, however, the Senate committee had not joined its companion group in the other chamber. As a result, the then Under Secretary of Interior, Abe Fortas, was able to justify the department's action by the rather ingenious argument that where the committee in one house expresses one view in passing legislation and the committee in the other branch expresses a different view, the administrative agency is left with a discretionary choice as to which is the true intent of Congress. No such argument, of course, could be advanced in the current controversy over Missouri valley spending. Here the department's course would seem to be an open refusal to follow the line laid down by the lawmakers.

**P**OLITICAL observers see in the forthright attitude taken by the Interior Department a determination of its top officials to push through the bureau's present power and irrigation policies to the fullest extent possible before the end of the year brings a change of such officials, if not the administration as a whole.

## WASHINGTON AND THE UTILITIES

There is also some evidence that the Democrats will try to make good political use of the restrictions voted by Congress in the Interior Department Appropriation Bill and the refusal of the special session to ease any of these curbs.

Secretary Krug announced that by September 1st "full extent of the curtailment" in Reclamation Bureau personnel made necessary by congressional limitations in the 1949 fiscal year appropriations would become effective. Krug foresaw "a major handicap to this year's record-breaking \$250,000,000 construction program for developing irrigation, hydroelectric power, and other sorely needed western projects." A similar line was taken by one of the minority members of the Harness subcommittee on Publicity and Propaganda. Representative Manasco of Alabama filed a minority report defending the Reclamation Bureau and disputing the majority report of the Harness subcommittee filed last month.

As a matter of fact, very little net reduction in the bureau's personnel was expected because of budget restrictions. John Cramer, special reporter of *The Washington Daily News* on government employment matters, stated in one of his daily columns of that newspaper that no cuts would be made in the bureau's 324 Washington office staff or in the bureau's big Denver office. Cramer did say there would be a reduction of so-called "force account" workers, who are mostly seasonal or temporary employees. But the work now performed by these employees will be let out on contract.

Representative Harness (Republican, Indiana), countering Krug's statement, charged the bureau with padding the payrolls. Harness claims the bureau's own figures show that it added employees to the extent of 1,326 new classified workers between April 30th and July 23rd. He pointed out that 164 of these were added during the first twenty-three days of the effectiveness of the bureau's current fiscal year limitations.

**I**N an effort to counter any political capital which the Department of Interior officials might try to make out of

the exhaustion of funds during the political campaign, Representative Jensen is keeping his group together so that they will be on the alert for any bureau maneuvers to embarrass Congress in the critical western states. Jensen plans an air inspection trip on certain western projects to see that no intentional speeding up of work produces new stoppages that would need explanation during the campaign.

### Oil Compact Meeting

**P**ROBLEMS of natural gas production and conservation were scheduled for extensive review on the program of the Interstate Oil Compact Commission at its New York meeting, August 30th through September 1st, under the chairmanship of Governor Beauford H. Jester of Texas. An all-star cast of seven governors and eight other more or less well-known public figures gave the meeting a flavor of bipartisan political attractiveness during the current campaign season.

The seven governors included Jester, Carlson of Kansas, Turner of Oklahoma, Green of Illinois, Duff of Pennsylvania, Caldwell of Florida, and Gates of Indiana. The governors were slated to participate in a panel discussion of state responsibilities and actions in the public interest to prevent wasteful practices.

An important feature on the program for August 31st was an address by Senator George W. Malone of Nevada, chairman of the Senate subcommittee on Natural Resources and Economics. His subject was "Are We Running Out of Oil?" But he was expected to touch on gas conservation matters as well. A special committee report on regulatory practices also was expected to go into natural gas problems growing out of the administration of the Natural Gas Act.

Governor Carlson indicated that he would argue against Federal control even in gas and oil fields lying within two or more states. The title of his scheduled address was "Examples of Cooperation in Interstate Oil and Gas Fields—Federal Control Unnecessary."



# Exchange Calls And Gossip

## Phone Labor Tries to Unite

THE phrase "high simmer" probably best characterizes the current labor situation in the Bell system. Emotions are not at the boiling point, but there is a definite attempt on the part of various factions of the telephone labor groups to unite for the purpose of obtaining a general wage increase in the industry.

The Independent Communications Workers of America (CWA) and the CIO Telephone Workers Organizing Committee (TWOC) claim to be determined on "coöperative effort" to break the Bell system's opposition to a third-round wage increase for its half-million workers. These two leading telephone unions have jointly called a meeting of 27 independent unions in an effort to determine how much coördination can be expected in a general wage increase drive.

Such a move, if successful, would add about 182,000 organized workers to CWA's 217,000 and TWOC's 80,000, making a total of nearly 500,000 employees behind the drive.

Meanwhile, CWA has started its own campaign by announcing that it will begin contract-reopening moves on August 16th to obtain wage increases for 87,000 employees of 8 telephone companies. Most of the CWA contracts run for three years, but contain provisions for two wage reopenings during the period. None of them contain a no-strike clause. No strikes are planned, but they are possible legally by about mid-October. All agreements of TWOC will similarly be reopened, or are in negotiation.

THE Bell system has stood firm in its determination not to grant a general wage increase. Western Electric

Company, a subsidiary of American Telephone and Telegraph Company, has granted wage advances in some of its manufacturing plants. The only Bell system operating company to agree to an increase to date is the Illinois Bell Telephone Company. This agreement was signed with the joint Board of Telephone Locals (IBEW), representing the entire plant force.

Also, a new slant to the general campaign has been added by CWA President Joseph A. Beirne, in his recent appeal to public utility commissions in 34 states to "use their good offices to see that Bell system companies pay their employees a wage that will permit them to live in decency and in good health." The possible impact of this move is discussed in this issue of the *FORTNIGHTLY* in the "Pages with the Editors." Mr. Beirne's request to the state commissioners is made on the basis of maintaining an adequate standard of service for which the commissions have a responsibility to take into consideration when fixing rates.

In any event, higher wages are the aim, and naturally the necessary funds must come from some group. CWA is not entirely specific, but generally it takes the stand that companies making a comfortable or better profit might be induced to give more to labor. It also holds that companies whose profits are inadequate should be allowed rate increases to cover increased wage costs.

## New Labor Secretary Tobin A Former Telephone Man

MAURICE J. TOBIN, the new Secretary of Labor and former governor

## EXCHANGE CALLS AND GOSSIP

of Massachusetts, has spent sixteen years in the telephone business as an employee of the New England Telephone & Telegraph Company. In fact he launched his political career while engaged by the company.

In 1922, Mr. Tobin joined the New England Company and was elected to the state legislature five years later. However, he continued in the employ of the company as district traffic manager until his election as the mayor of Boston late in 1937.

Secretary Tobin's views on labor questions are not widely known, but it is understood that he urged action against strikes "threatening the health and welfare of the nation" during the 1946 Governors' Conference. It is known that he, as governor of Massachusetts during the last war, used emergency powers to take over a street railway company when a strike disrupted transportation for about a half-million people in 70 communities.

### AT&T Officials Changed

NUMEROUS changes in the executive staff of the American Telephone and Telegraph Company have been announced recently.

Charles P. Cooper, vice chairman of the board, was retired September 1st at his own request. He will continue as a board member.

Keith S. McHugh, vice president in charge of public relations since 1946, has been appointed vice president in charge of finance.

Clifton W. Phalen, who has been vice president of the subsidiary New York Telephone Company in charge of public relations, becomes public relations vice president of AT&T.

Henry T. Killingsworth has been appointed general manager of the Long Lines Department of the American Telephone and Telegraph Company. Vice president of AT&T, Bartlett T. Miller, who is in charge of the Long Lines Department, announced that the appointment was effective August 11th, on the retirement of Laurance G. Wood-

ford, general manager since 1943. Mr. Killingsworth was area plant manager in Atlanta for the southern area of Long Lines.

### Higher Phone Rates in Utah

THE Utah Public Service Commission has granted permission to Mountain States Telephone & Telegraph Company to increase rates sufficiently to add \$591,203 to annual revenues. However, this grant is only 62 per cent of the total requested, \$943,000.

The company had asked for a return of at least 7 per cent on a net rate base of \$17,101,634. The commission set a return of 5.9 per cent as "adequate and fair" on a rate base which it cut to \$16,290,972.

### Curb on Radio Station Ownership Proposed by New FCC Plan

THE Federal Communications Commission is proposing changes in its rules which would limit to seven the number of AM (standard) stations owned by one person or group. Also, the number of stations in which less than controlling interest is held by owners of AM, FM (frequency modulation), and television stations would be limited on a sliding scale.

Under present rules in effect the commission prohibits operation of more than one station of the same category in the same community or service area by one person or group, or more than six FM or five television stations in the country as a whole.

The new proposal, however, would put a national limitation on the single ownership of AM as well as FM and television, and in addition would prevent concentration of control of broadcast facilities by limiting those interests having fewer than the specified maximum limitations to a graduated number of stations with interest less than control.

For example, this would mean that a person or group owning or controlling



## PUBLIC UTILITIES FORTNIGHTLY

seven AM stations would not be allowed to serve as a stockholder, officer, or director of any other standard station. If the number of stations owned or controlled were six, the maximum number of other stations in which less than controlling interest might be held would be two. This scheme progresses in inverse ratio to the number of stations singly owned or controlled. Hence, a person or group owning only one station might have minority interests in twelve other stations. The same general limitation plan would apply to FM and television outlets.

**T**HE rules will not become effective until January 1, 1953. The purpose of this deferred date is to permit the orderly disposition of interests by those affected. This 5-year extension, however, will not be applicable in any cases where complete disclosure of all facts has not been made to the commission.

Briefs and statements in connection with these proposed new rules will be received by the commission up to midnight September 27th, after which hearings will be held if they are deemed necessary.

The practical effect of such changes in the rules is not entirely clear at present, but it appears that the four major networks will be little affected, with the possible exception of Columbia Broadcasting Company. CBS owns seven standard stations and has a minority interest in another. It has four FM stations and one television station.

The general impression is that the new rules were aimed primarily at individuals holding substantial interests in large numbers of stations.

### *Evidence by the Truckload*

**S**OUTHWESTERN BELL TELEPHONE COMPANY recently brought two large truckloads of records to a rate hearing in Topeka, Kansas. The material consisted of records of purchases of equipment and materials for Kansas by the company from Western Electric Company. They covered a period of the last thirty years, and came from the Western

Electric plant at Kearny, New Jersey, and Southwestern Bell offices at St. Louis and Kansas City.

The hearing is before the Kansas Corporation Commission on Southwestern's request for temporary rate increases to yield \$3,279,000 a year in additional revenue. Last January, the commission rejected the application.

Whether or not members of the commission were impressed is not reported. However, it is known that the commission's special counsel, Howard T. Fleeson of Wichita, Kansas, charged that the company was trying to intimidate the commission by the display. He asserted the company offered the showing as an "excuse for not complying with the order to show itemization of costs."

One of the company attorneys indicated that the two truckloads may be just the beginning. This lawyer, Lloyd Miller, told the commission the company intended to present all available evidence on costs under the contract. He concluded by saying, "It cannot be done in one fell swoop. We have to develop it step by step."

### *Higher Television Prices Likely*

**E.** A. NICHOLAS, president of Farnsworth Radio & Television Corporation, Fort Wayne, Indiana, has announced that higher prices for television sets appear inescapable.

One difficulty, he said, is an insufficient supply of glass blanks for viewing tubes. This shortage, it was explained, slows down production lines and increases unit costs.

Mr. Nicholas even fears that prices for radio receiving sets will increase after the present seasonal overproduction period. "You can't accept a 10 to 15 per cent increase in steel, tubes, and other costs and keep prices down," he declared.

The prediction that radio prices would go up has been voiced also by Gordon F. James, advertising and sales promotion manager of Victor H. Meyer & Company, Inc., representing Sparton radios.

# Financial News and Comment

By OWEN ELY



## Forecasting 1948 Earnings

THE Federal Power Commission has not as yet issued its June bulletin of sales, revenues, and income of electric utilities, but figures for some of the individual companies make a rather unfavorable showing. For example the Commonwealth & Southern system reported a balance after charges for the month of June of only \$1,681,685 compared with \$2,393,765 last year. (July, however, shows a gain over last year.)

One of the financial services estimates that utility net income for the first half of 1948 is off about 5 per cent. However, the FPC figures for the first five months show a decline in net of only about 3 per cent. In this period kilowatt-hour sales were up 9 per cent and revenues 12 per cent, but expenses gained 23 per cent (including a 40 per cent increase in fuel costs). Depreciation, which has been steady in recent years, now shows a rising trend due to new plant installations and was up 8 per cent in the 5-month period. Local taxes are increasing for the same reason, and the over-all tax figure gained 5 per cent. Thanks to smaller amortization charges, however, fixed charges remained the same as last year and net income was off only 3 per cent.

THE chart on page 373 shows estimated earnings figures for the calendar year 1948. In extending the lines we have been guided by results for the first five months, but have assumed

that taxes and depreciation would gain at a slightly faster rate. Fuel costs were considered likely to be less burdensome in the second half because of new generating equipment and improved hydro-electric operations. It is assumed that interest and amortization charges will increase about \$20,000,000 for the year—an annual rate of increase of about 14 per cent. (It is difficult to estimate this item, however, because of the vagaries of the special charges.)

Net income for the calendar year may be off about \$40,000,000, or 6 per cent, it is estimated. With common dividends about \$20,000,000 more than last year, this will mean a 75 per cent pay-out compared with last year's 66 per cent. Preferred dividends are not expected to increase much, if any, this year, as retirements and refundings early this year may almost balance new money issues.

## Continued Difficulties with Preferred Stock Financing

THIS department has commented from time to time on the constant difficulties encountered with utility preferred stock financing under the competitive bidding system during the past year. Recent events are no exception. After competitive bids had earlier been rejected by the company, a syndicate headed by Smith, Barney & Co. several weeks ago won the \$20,000,000 Northern States Power Company (Minnesota)

## PUBLIC UTILITIES FORTNIGHTLY

\$4.80 preferred stock issue, which was offered to the public at 102 to yield 4.706 per cent. This basis should have been very attractive, yet the issue was not immediately sold.

The Northern States Power first mortgage 2½ per cent bonds due 1975, rated Aa by Moody, have been selling to yield about 3 per cent. The spread in yield between the bonds and the new preferred stock of 1.70 per cent seems excessive. Over a long period of years, beginning with 1930, the spread between high-grade stock yields and high-grade bonds has not exceeded 1.50 per cent, and only reached that spread for a brief period in 1941. Currently the spread between Aa utility bonds and high-grade utility preferreds is about 1.06 per cent, and compared with the medium-grade preferred stocks averages 1.55 per cent. The experience in offering the Northern States Power preferred illustrates the current unsettled character of the utility new issue preferred stock market; buyers remain "cagey" because they hope to obtain still better yields, knowing that the issue must finally be sold despite evident handicaps.

**B**IDS for the big issue of Public Service Electric & Gas preferred stock were twice rejected in the past few weeks by the company. The SEC has now granted an exemption from the competitive bidding rule, but has criticized the company, its financial adviser (Drexel & Company), and representative of the bidding groups. At the time of the first bidding, the company postponed the receipt of bids fifteen minutes after the time set for receiving them. The commission thinks it inconceivable that the company and its advisers were unaware that bids are customarily made public by the bidders themselves immediately after the time fixed for their submission to the company. Thus, if the company felt that the bids it thought it would get would prejudice a subsequent reoffering if made public, it would have taken special measures to maintain secrecy. The commission also said that

Drexel had informed the SEC that had it known the figures of the actual bids (as it would have if the bids had been received) it might have changed its recommendation for postponement.

While the SEC has now permitted Public Service to change to a negotiated deal, it remains unconvinced that a general change in policy, to eliminate all competitive bidding for preferred stock financing, is necessary. It considers Public Service's reasons for seeking the exemption to differ little from the historic arguments when Rule U-50 was adopted. "In view of our experience with the administration of the rule, and the many positive benefits which have inured to the industry as a whole from compliance with its provisions, we see no occasion to grant an exemption for the reasons advanced." The exemption was apparently granted only because of the increasing difficulties resulting from the double rejection of bids, etc., and because the company is in need of funds. But the commission did not question the company's right to reject bids, since these are "safety valves in the competitive bidding mechanism."

### Engineers P. S. Case Goes to Supreme Court

**T**HE tangled question as to whether holders of holding company preferred stocks should receive the redemption premiums in the retirement of these issues under the operation of the Holding Company Act has now been submitted to the Supreme Court for final decision. Earlier in its history the SEC did not favor granting call premiums, but later its philosophy changed. Determination then became largely a matter of applying various yardsticks or tests to determine the investment value of each issue. It approved paying the premiums in the case of the Engineers Public Service preferred stocks but the Federal District Court, and the circuit court on appeal held that \$1.00 a share was a fair and equitable equivalent of the preferred stockholders' claim.

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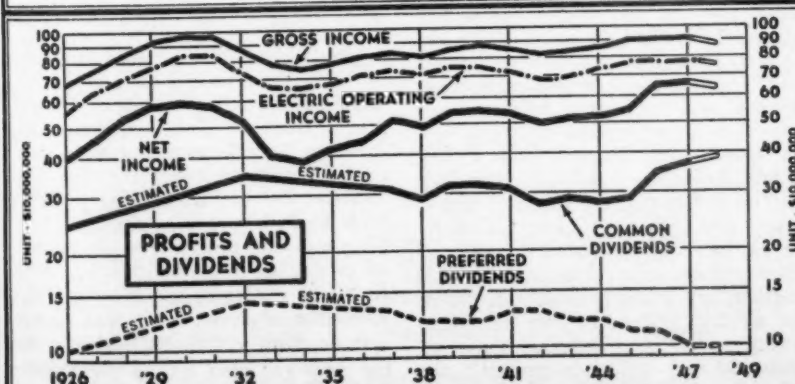
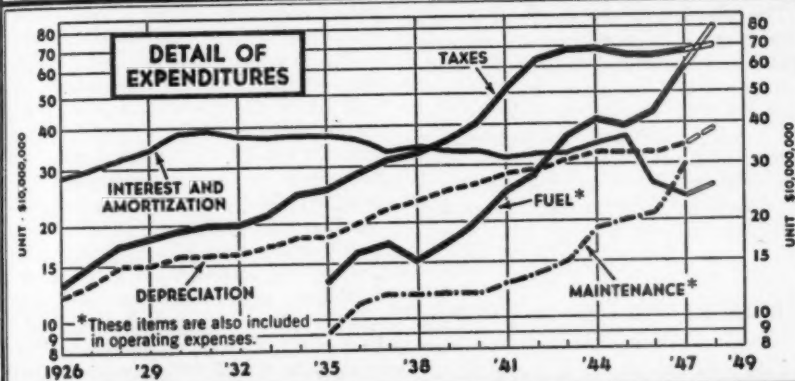
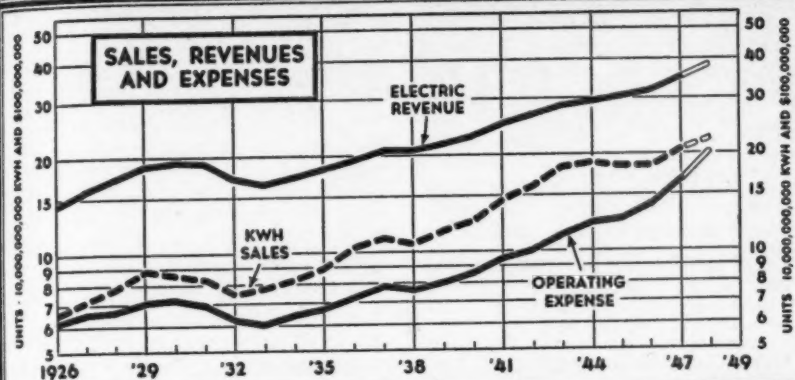
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## TREND OF SALES AND EARNINGS OF ELECTRIC UTILITIES



## PUBLIC UTILITIES FORTNIGHTLY

Settlement of this and various other holding company claims for premiums are said to involve over \$23,000,000. Other claims include the preferred stock issues of American Water Works, Electric Bond and Share, New England Public Service, and Federal Light & Traction. Recent market quotations for preferred "stubs" are as follows:

	Quote	Claim
American Water Works \$6 preferred .....	13- $\frac{1}{2}$	\$10
Electric Bond & Share \$3.50 preferred .....	1- $\frac{1}{2}$	10
Electric Bond & Share \$4.20 preferred .....	11-2	10
New England Pub. Ser. \$7 prior lien pfd. ....	6 - $\frac{1}{2}$	20
New England Pub. Ser. \$6 prior lien pfd. ....	3 - $\frac{1}{2}$	10
Federal Light & Traction \$6 preferred .....	4 - $\frac{1}{2}$	10

The Engineers Public Service preferred stock is not quoted, since no stubs were issued and the transfer books remain closed. Variations in the quotations for stubs apparently reflect differences in the investment status or market history of the various issues, indicating that chances for obtaining premiums are considered better in some cases than in others.

### *Wall Street Views on Utility Securities*

**L**AWRENCE COOPER of Argus Research Corporation has prepared a 6-page analysis of United Light & Railways. He points out that the system is gradually "working itself down" to the point where it will be a clean holding company with an integrated electrical system (controlling Kansas City Power & Light, Iowa Power & Light, Iowa-Illinois Gas & Electric, St. Joseph Light & Power, and Eastern Kansas Utilities). The gas interests controlled through the subholding company, American Light & Traction, are being gradually divorced. The electric system has an estimated earning power per common share of around \$3 and dividends currently are at the rate of \$1.45 (in stock and cash).

SEPT. 9, 1948

United's bank loan of about \$24,000,000 will be retired through sales of Madison Gas & Electric shares and Detroit Edison (received from American) and of a portion of American Light & Traction holdings (the balance being distributed). United plans to retire its high-dividend preferred stocks through a new bank loan, but this has been delayed by litigation which is now being cleared up. The \$7,400,000 bank loan of a subholding company, Continental Gas & Electric, also will be retired. The new loan of slightly under \$28,000,000 will be serial 15-year notes (\$1,500,000 due annually) and annual payment of these maturities would equal about 48 cents per share on United common. Assuming a 75 per cent dividend pay-out by subsidiaries, United's future parent company balance available for dividends might approximate \$1.75. (The company has estimated corporate earnings at \$1.65 for the current year and \$1.85 for 1949 and 1950.) This would seem to indicate continuance of the current \$1.45 dividend rate, after allowance for the note maturities. However, Mr. Cooper conjectures that a dividend increase might be possible within a few years, especially if United should wish to do common stock financing to facilitate expansion, but he doubts whether the rate would reach the \$2 level until the notes have been retired. Dividends are expected to return to an all-cash basis in 1949.

**A**RGUS has also prepared a brief study of American Light & Traction, the gas subholding company being divorced from the United system. Recent earnings have been disappointing, with only 76 cents reported for the twelve months ended March 31st compared with \$1.36 in previous period. The decline was due primarily to the necessity of producing manufactured gas in Detroit last winter to eke out supplies of natural gas. Argus feels that earnings may continue rather disappointing until the new gas pipe line is completed in 1951 or later. In order to help raise

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## FINANCIAL NEWS AND COMMENT

funds for this construction, as well as to retire the preferred stock at 33 by tenders, the company is selling part of its big block of Detroit Edison shares and will later dispose of its interest in Madison Gas & Electric.

American has also been handicapped by the troubles of Milwaukee Gas Light which has had difficulty obtaining adequate rate increases. American's only income for 1949 may be from Michigan Consolidated Gas, and this may amount to less than \$1 per share on American stock, which might endanger maintenance of the historic \$1.20 dividend rate. But eventually, with the new pipe

line in operation, Mr. Cooper thinks earnings might rebound to around \$2.50 a share.

The same firm has prepared an 8-page study on Standard Gas & Electric, in which it reaches the conclusion that final dissolution "appears quite some distance away." However, it thinks that steps will be taken within the next six or eight months to retire the bank loan due next April. The prior preferred stocks have been selling recently at only about half of their claim for par and arrears; Mr. Cooper estimates work-out values at 165-180 for the \$7 preferred and 150-165 for the \$6. The \$4 (second)



### UTILITY STUDIES BY WALL STREET FIRMS\*

Utility	Firm	Month	No. of Pages
Arkansas Natural Gas	Goodbody	May	3
American Light & Traction	Argus Research	June	2
Central Arizona L. & P.	First Boston	June	6
Central Arizona L. & P.	Eastman, Dillon	June	6
Chicago Corp.	Eisele, King	June	2
Commonwealth & So.	Reynolds	May	1
Conn. Ry. & Lighting	Bittner, Edelmann	July	5
Electric Bond & Share	Hentz	June	1
Electric Bond & Share	Argus Research	June	2
Electric Power & Light	Josephthal	August	2
Electric Power & Light	Paine, Webber	August	1
Inter. Hydro-Elec.	Reynolds	August	1
Minneapolis Gas Light	Piper, Jaffray	June	3
	Minneapolis		
Niagara Hudson Power	Josephthal	July	4
Oklahoma G. & E.	First Boston	June	7
Power Corp. of Canada	Thompson & Co.	July	—
	Montreal		
Public Service of New Jersey	Eastman, Dillon	July	6
Southwestern P. S.	Eastman, Dillon	June	10
Standard G. & E.	Argus Research	July	8
Tucson G. E. L. & P.	First Boston	August	6
United Gas Corp.	Bache	May	2
United Light & Railways	Argus Research	June	6
Washington Gas Light	Company Brochure	July	91
<i>General Topics</i>			
Current Developments in Utilities	Eastman, Dillon	August	13
More Favorable Outlook for Utilities	Bache	June	2
Public Utility Holding Co. Stocks	Ira Haupt	June	2
Monthly Utility Review	Josephthal	August	4
Natural Gas Industry	Goodbody	June	10
Natural Gas Industry	Shields	June	12
Natural Gas Industry	Eastman, Dillon	July	—
Natural Gas Industry	Paine, Webber	August	4
Utilities in Cyclical Uptrend	Josephthal	July	4
Tabulation of Electric Utility Stocks	First Boston	August	8
Attractive Utility Common Stocks	Josephthal	August	4

\*Previous 1948 lists appeared in the June 3rd and March 11th issues.

## PUBLIC UTILITIES FORTNIGHTLY

preferred is considered by Argus to be less attractive, while the common stock is likely to receive only nominal treatment in any plan.

Andrew Heldrick, of Reynolds & Company, in a brief analysis of International Hydro-Electric, calculates that the total market valuation of Hydro is over \$32,000,000 so that the system is selling at 8.8 times earnings. After deducting the face value of the debentures, the preferred stock would have an equity value of \$97 per share compared with the recent market price of 53. If earnings could be capitalized at 10 times (plus \$2,000,000 cash) the total valuation would be \$39,000,000, giving the preferred an indicated value of \$143 a share. Mr. Heldrick thinks that recapitalization might be effected within the next twelve months.

**F**IRST BOSTON CORPORATION's analysis of Tucson Gas, Electric Light & Power common stock points out the extremely rapid growth of this area, the company's revenues having doubled in a decade in spite of rate refunds and reductions; the first half of 1948 shows a 23 per cent gain over last year. Assuming that this rate of gain continues, earnings of about \$2.10 are forecast compared with \$1.87 last year (after adjusting for the 2-for-1 split-up this year). The current dividend rate is only \$1. Natural gas is obtained from El Paso Natural Gas under long-term contract at low cost and is used both for delivery to customers and as boiler fuel. Residential electric rates averaging 2.77 cents are well below the national average. Capital structure is conservative with 44 per cent bonds, 15 per cent preferred, and 40 per cent common stock. At 16 the yield is  $6\frac{1}{2}$  per cent and the price earnings ratio 8.

John Feely of Paine, Webber, Jackson & Curtis estimates break-up value of Electric Power & Light common stock at \$33.41 compared with the recent market value around 20 $\frac{1}{2}$ . Truslow Hyde of Josephthal & Co., however, estimates liquidating value at only 27-29 $\frac{1}{2}$ . But Mr.

Hyde feels that under the management plan the preferred stock is being given unusually liberal treatment at the expense of the common.

### *New Edition of Turner's "Financial Statistics of Public Utilities"*

**T**HE 1948 edition of Turner's "Financial Statistics of Public Utilities" has just been completed, covering approximately 90 per cent of the electric and gas industries. Total revenues for the year 1947 (as compiled for the two major utility industries by Mr. Turner) were \$4,618,000,000 or an increase of 13.15 per cent over 1946. Total expenses increased 16.55 per cent; operation, including maintenance, increased 23.61 per cent. Gross income increased only 1.02 per cent over 1946 despite the fact that security holders during the year added approximately a billion dollars to their investments in this industry.

The average interest rate on long-term debt reached a low point of 3.04 per cent, and the preferred stock dividend rate dropped to an average of 4.57 per cent. Refunding of securities is now practically completed, Mr. Turner holds, and Federal taxes have been reduced which eliminates the possibility of much additional savings from these two sources. If operating expenses continue to increase as they have in the last year there seems to be only one source of relief for the utility companies, he states, and that is an adjustment of rates.

The return on total invested capital dropped from 6.54 per cent in 1946 to 6.18 per cent in 1947. If this return continues to decline there is a possibility that the credit of the utilities will be impaired and needed money for extension of property will be difficult to obtain.

The price of the new edition remains the same as last year, \$15 for a single copy and \$10 for each additional copy. The publisher is C. A. Turner, 208 South LaSalle Street, Chicago 4.

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# FINANCIAL NEWS AND COMMENT

## RECENT FINANCIAL DATA FOR PRINCIPAL ELECTRIC OPERATING COMPANY STOCKS

	8/18/48	Indicated			Share	Earnings	Price-
	Price	Dividend	Approx.	12 Mos.	Cur.	Prev.	Earnings
	About	Rate	Yield	Ended			Ratio
<b>Revenues \$50,000,000 and over</b>							
B Boston Edison .....	41	\$2.40	5.9%	Dec.	\$2.75	\$2.53	14.9
S Commonwealth Edison .....	26	1.40	5.4	June	1.81	2.09	14.4
S Consol. Edison of N. Y. ....	24	1.60	6.7	June	2.06	1.80	11.7
C Consol. Gas of Balt. ....	64	3.60	5.6	June	4.43	5.73	14.4
S Consumers Power .....	34	2.00	5.9	June	2.77	2.99	12.2
S Detroit Edison .....	21	1.20	5.7	June	1.41	1.69	14.9
C Duke Power .....	77	4.00	5.2	Dec.	6.29	8.17	12.2
S Pacific G. & E. ....	35	2.00	5.7	June	2.42	2.55	14.5
S Penn. Power & Light .....	19	1.20	6.3	June	2.14	2.04	8.9
S Philadelphia Elec. ....	23	1.20	5.2	June	1.62	1.85	14.2
S Pub. Service E. & G. ....	23	1.60	7.0	April	2.05PF	—	11.2
S So. Calif. Edison .....	30	1.50	5.0	June	1.79	1.72	16.8
Averages .....			5.8%				13.4
<b>Revenues \$10-\$50,000,000</b>							
O Atlantic City Elec. ....	17	\$1.20	7.1%	June	\$1.36	\$1.46	12.4
S Birmingham Elec. ....	10	—	—	June	.97	1.95	10.3
S Carolina P. & L. ....	30	2.00	6.7	June	3.16	3.14	9.5
S Central Hudson G. & E. ....	8	.52	6.5	June	.48	.57	16.7
O Central Illinois P. S. ....	13	1.00	7.7	June	1.78	1.92	7.3
O Central Maine Power .....	18	1.20	6.7	July	1.13	1.69	15.9
S Cincinnati G. & E. ....	26	1.40	5.4	Mar.	1.96	1.90	13.3
S Cleveland Elec. Illum. ....	40	2.20	5.5	Mar.	2.80	2.59	14.3
S Columbus & S. Ohio Elec. ....	41	2.80	6.8	June	4.12	4.23	10.0
O Connecticut L. & P. ....	59	3.25	5.5	June	3.56	3.30	16.6
S Dayton P. & L. ....	29	1.80	6.2	June	2.24	2.46	12.9
O Delaware P. & L. ....	16	1.00	6.3	June	1.57	1.70	10.2
S Florida Power Corp. ....	15	1.00	6.7	June	1.55	1.65	9.7
S Gulf States Util. ....	16	1.00	6.3	June	1.65	1.56	9.7
C Hartford Elec. Light .....	51	2.75	5.4	Dec.	2.90	2.97	17.6
S Houston Lighting .....	44	2.00	4.5	June	3.50	2.51	12.6
S Illinois Power .....	27	2.00	7.4	June	3.45	3.84	7.8
S Indianapolis P. & L. ....	23	1.50	6.5	June	2.66	3.66	8.6
O Kansas Gas & Electric .....	25	1.60	6.4	May	2.33	2.85	10.7
O Minnesota P. & L. ....	26	2.20	8.5	Dec.	3.40	2.88	7.6
O No. Indiana P. S. ....	16	1.20	7.5	June	2.04	2.03	7.9
S Ohio Edison .....	33	2.00	6.1	June	3.15	3.11	10.5
S Potomac Elec. Power .....	14	.90	6.4	June	.86	.81	16.3
S Pub. Serv. of Colo. ....	39	2.20	5.6	June	4.73	4.83	8.2
O Pub. Serv. of Indiana .....	43	Stock	9.2	June	4.93	4.49	8.7
O Public Service of N. H. ....	25	1.80	7.2	June	1.55	2.20	16.1
O Puget Sound P. & L. ....	13	.80	6.2	June	1.75	1.77	7.4
O San Diego G. & E. ....	14	.80	5.7	June	1.04	.92	13.3
O Southwestern Pub. Serv. ....	27	1.80	6.7	June	2.60	2.10	10.4
C Utah Power & Light .....	22	1.40	6.4	June	2.38	2.47	9.2
S Virginia Elec. Power .....	17	1.20	7.1	June	1.58	1.67	10.7
S Wisconsin Elec. Power .....	16	1.00	6.3	June	1.65	1.83	9.7
O Wisconsin P. & L. ....	14	1.12	8.0	June	1.79	1.89	7.8
Averages .....			6.6%				11.2
<b>Revenues under \$10,000,000</b>							
C California Elec. Pr. ....	8	\$ .60	7.5%	June	\$ .71	\$ .78	11.3
O El Paso Electric .....	26	1.60	6.2	June	2.79	2.52	9.3
C Mountain States Power ....	32	2.50	7.8	June	5.07	3.51	6.3
Averages .....			7.4%				10.5
Averages, three groups ..			6.5%				11.6

# PUBLIC UTILITIES FORTNIGHTLY

## RECENT FINANCIAL DATA FOR PRINCIPAL ELECTRIC HOLDING COMPANY STOCKS

	8/18/48	Indicated			Share	Earnings		
	Price	Dividend	Approx.	12 Mos.	Cur.	Prev.	Price-	
	About	Rate	Yield	Ended			Earnings	
							Ratio	
<b>Integrated Holding Company Systems</b>								
C American Gas & Elec. ....	38	\$1 & Stock	6.7%	June	\$4.27	\$3.92	8.9	
C Central & South West .....	10½	.80	7.6	June	1.39	1.20	7.6	
S New England Elec. System .	11	1.00	9.1	Dec.	1.35	1.48	8.1	
O New England G. & E. ....	11	.80	7.3	June	1.27	.99	8.7	
S West Penn Elec. ....	17	1.00	5.9	June	3.25	2.76	5.2	
Averages .....			7.3%				7.7	
<b>Systems in Process of Integration</b>								
<b>Common Stocks—Dividend-paying</b>								
C American L. & Tr. ....	17	Stock	7.1%	June	\$ .62	\$1.74	27.4	
C Cities Service .....	54	\$2.00	3.7	Dec.	10.93	6.41	4.9	
C Electric Bond & Share .....	13	.25	—	—	—	—	—	
S General Pub. Util. ....	13	.80	6.2	Mar.	1.96	1.88	6.6	
S North American .....	16	Cash & Stock	—	June	1.43	1.96	11.2	
C Philadelphia Co. ....	10	.60	6.0	Mar.	.80	.69	12.5	
S United Gas Imp. ....	21	1.30	6.2	June	2.14	2.13	9.8	
C United Lt. & Rys. ....	20	Stock	7.3	June	3.25	3.03	6.2	
O West Penn Power ....	31	1.80	5.8	June	2.33	1.99	13.3	
Averages .....			6.0%				11.5	
<b>Common Stocks—Nondividend</b>								
S American P. & L. ....	9	—	—	May	\$4.48	\$3.86	—	
S Commonwealth & Southern .	3	—	—	June	.57	.70	—	
S Electric P. & L. ....	21	—	—	May	5.36	4.00	—	
S Inter. Hydro-Elec. "A" ....	7	—	—	—	—	—	—	
C Long Island Lighting .....	4	—	—	—	—	—	—	
C Middle West Corp. ....	9½	—	—	—	—	—	—	
O New England Pub. Ser. ....	4½	—	—	—	—	—	—	
C Niagara Hudson Power ....	8	—	—	June	1.04	1.46	—	
C North American L. & P. ...	7½	—	—	—	—	—	—	
S United Corp. ....	3½	—	—	—	—	—	—	
			Price		Yield		Approx.	
			About		About		Arrears	
<b>Preferred Stocks—Dividend-paying</b>								
S United Corp. \$3 Pref. ....		45			6.7%		—	
S Philadelphia Co. \$6 Pfd. ....		100			6.0		—	
S American & For. Power \$7 Pfd. ....		69			10.1		\$74	
S American P. & L. \$6 Pfd. ....		86			7.0		44	
S Commonwealth & Southern \$6 Pfd. ...		98			6.1		17	
S Electric P. & L. \$7 Pfd. ....		154			4.5		90	
C Niagara Hudson Pr. 5% 1st Pfd. ....		101			5.0		—	
O Nr. States Pr. (Del.) 7% Pfd. ....		97			7.2		10	
Average .....					6.6%			
<b>Preferred Stocks—No Current Payments</b>								
C Electric P. & L. \$7 2nd Pfd. ....		139			—		110	
C Inter. Hydro-Elec. \$3.50 Pfd. ....		52			—		49	
O New England P. S. \$7 Plain Pfd. ...		98			—		114	
S Standard G. & E. \$7 Prior Pref. ....		104			—		101	
C Standard P. & L. \$7 Pfd. ....		106			—		101	

B—Boston Exchange. C—Curb Exchange. O—Over-counter or out-of-town exchange.  
S—New York Stock Exchange. PF—Pro forma.

SEPT. 9, 1948



# What Others Think

## Modern Business Interpreted



**O**SWALD KNAUTH is a thoughtful economist, a well-known and successful businessman, and fortunately a good writer. In a recently published book entitled "Managerial Enterprise" he presents an interpretation of modern business based on his personal experience rather than upon established precedent or theory.

Mr. Knauth worked for the American Bank Note Company, has been economist and executive vice president of R. H. Macy & Company, and president of the Associated Dry Goods Company. He is a founder of the National Bureau of Economic Research and a trustee of the Twentieth Century Fund.

The tone and purpose of the book are revealed clearly in a paragraph in the foreword:

Classical economics has lost touch with the colossal developments of the last fifty years. Words coined in the Nineteenth Century lost or changed their meaning in the Twentieth. Arguments carried on in these terms were akin to shadow boxing. A new framework is called for. Indeed, it is already taking shape.

Business writer for *The Washington Post*, J. A. Livingston, discussed Mr. Knauth's book in a column which he entitled, "We Talk 'Free Enterprise' but Act-er, er-Differently." This title gives a hint as to what are the most helpful and clarifying portions of the book. Mr. Knauth defines and describes three types of enterprise which are operating side by side in this country. He calls them collectivism, free enterprise, and managerial enterprise. The definition given for collectivism will be found to be provoking by most utility executives. Here it is nevertheless:

### Collectivism

Collectivism is a feature of such govern-

ment services as the Post Office, the Tennessee Valley Authority, and many activities of the Department of Agriculture. It is also a dominating characteristic of those industries which are generally recognized as monopolies and as such are regulated or controlled by the state; for instance, railroads, air lines, electric, gas, and water utilities, municipal transportation, and telephone and telegraph companies. If governmental control or regulation, regardless of the degree of its effectiveness is taken as the criterion, about one-sixth of the gainfully occupied population of the United States lives and works under what may be called collectivism.

The chief characteristics of this collectivism are continuity of service and determination of prices by a competent authority in the public interest. Tasks are laid out for the employees, their hours of work and rates of pay are governed by mass regulations, and their security of tenure and pension is usually at a maximum. In return, fidelity, avoidance of error, and obedience are demanded, and, certainly at the lower levels, initiative is not encouraged and may be dangerous.

### Free Enterprise

**T**HERE are not so many differences of opinion as to the essential nature of private enterprise. The author's main point is that free enterprise should not be confused with collectivism or another form which he calls managerial enterprise. A few of Mr. Knauth's statements on free enterprise are warranted here in order to fill in his 3-part picture of free, collective, and managerial enterprises:

... Most farmers and owners of small businesses, stores, restaurants, repair shops, purveyors of special services, most professional men, domestic servants, speculators, traders, commission agents, brokers, and dealers work under this system of free enterprise. While it is true that each entrepreneur taken by himself is of minute stature, about a third of the country's industry is carried on by him and his like. The goods they make are not freely reproducible. Their common



## PUBLIC UTILITIES FORTNIGHTLY

characteristic is that they are scarce. . . . The transactions are usually cash, the amount fixed by shrewd higgling. Each transaction stands by itself. The impersonal market is the master and to its vagaries the individual must conform. The trader epitomizes the psychology of free enterprise.

### *Managerial Enterprise*

Mr. Knauth says that so sporadic and isolated were the beginnings of managerial enterprise that students as well as businessmen failed to recognize them for what they were—a new form of economy.

He states:

The distinctive features of managerial enterprise are several. First, there is a large capital investment useful for a single purpose but of maximum efficiency for that purpose. Then there is action based upon policies formulated to achieve the strengthening of the business. There is the creation of a demand constant enough to permit planned production with prices decided upon in advance as a part of the pattern. Other characteristics are the separation of ownership and management, and the ability to increase production at lower costs. Finally and above all there is continuity of operation.

### *Government and Business*

**T**HE writer contends that conflict between business and government is

a sign of health. He argues as follows:

. . . Free enterprise is unable to stand up to government. Without power, it must submit to and adjust itself to any rules government sees fit to impose. In monopoly there is no balance of forces since government is all-powerful. Subjected to complete government regulation, monopoly becomes collectivism. Managerial enterprise alone has the strength to enter into conflict with government upon an approximately equal footing.

As codes of behavior are worked out and lived up to, the stability which managerial enterprise gives and the initiative it must exercise to hold its position may enable it to ward off the encroachments of harmful social forces. These two characteristics, stability and initiative, in proper combination, make managerial enterprise the form of economy that holds most promise of serving the manifold needs of our progressive society.

### *Conclusion*

In summary, Mr. Knauth has examined and discussed the policies, practices, and functions of large corporations. He finds that they hold our greatest promise for the future.

MANAGERIAL ENTERPRISE. By Oswald Knauth. W. W. Norton & Company, Inc., 101 Fifth avenue, New York 3, New York. Price \$3. 224 pages.

## Utility Advertising

**E**LMER L. LINDSETH, president of the Cleveland Electric Illuminating Company, urges improvement in utility advertising. In an address entitled "What the Utility President Expects from the Advertising Manager," given before the last annual meeting of the Public Utilities Advertising Association in Cleveland, Mr. Lindseth stressed the need for figures to prove that the advertising used is effective.

In this connection he said:

When utility presidents are considering problems of engineering, accounting, or financing, they usually are on familiar ground. But when they are considering problems of advertising, many of them are in a less familiar field.

Take engineering as an example—and I

speak now as an engineer who puts high value on the power of advertising.

I see only one basic difference between engineering and advertising. Both must be imaginative, creative, progressive, and productive. Both also must justify the expenses of carrying out their plans and programs. At this juncture, the engineer usually is able to produce a quantitative measure of results, but the advertising man ordinarily has been unable to offer comparable supporting data.

In executive control of a business like ours, prime dependence necessarily is put on figures. It is a serious handicap to any department, and especially to the advertising department, to be lacking in comprehensive, convincing figures.

Utility presidents naturally shrink—and should shrink—from supporting advertising on a by-guess-and-by-god basis.

This does not mean that advertising departments have been altogether lacking in

## WHAT OTHERS THINK



"TH' BOSS WOULDN'T LET HIM OFF FOR A HONEYMOON!"

figures. They generally have been able to employ figures substantiating the results of straight sales promotion campaigns. And the figures have justified the cost of such campaigns over and over, by their effectiveness in selling electric, gas, telephone, and transportation service.

But straight sales promotion advertising is a relatively simple operation, compared with public relations advertising.

### Public Relations

MR. LINDSETH contends that it is public relations advertising of the highest order which the utility business needs today. The aims are to achieve the best possible relations with our customers, employees, investors, and the public, and to prevent further socialization, nationalization, and confiscation of utility properties. Here again, Mr. Lindseth stresses the importance of finding proof

of the effectiveness of any program. He said:

The utility president should expect the advertising manager to be the mainspring of his company's public relations advertising. He further should expect him to substantiate the results of his public relations advertising with convincing figures.

Fortunately, advertising people have much better tools with which to do this today, than they had a few years ago.

There now are available the methods of measurement developed by Starch, Hooper, Nielsen, Gallup, Robinson, and other leaders in the new science of surveying public opinion and evaluating people's reactions to the printed word and illustration, the motion picture, the radio broadcast, and the telecast.

The number one stumbling block to better use of public relations advertising in the utility business is the lack of adequate development and application of techniques for quantitatively measuring results.

## PUBLIC UTILITIES FORTNIGHTLY

Even though advertising, like politics, may be more of an art than a science, it takes figures to tell the results of political campaigns, and likewise figures are needed to tell the results of advertising campaigns to influence public opinion.

The utility president wants the figures.

And the advertising manager who can produce the figures—or who can develop ways and means of producing the figures—will be doing an invaluable service for his company, for the utility business, for advertising, and for himself.

### Three Problems

In the utility business today, we need the best of advertising, together with all the other strength we can muster, to meet three paramount, pressing problems, Mr. Lindseth asserted. Here are the problems in his words:

One is the problem of obtaining the billions of dollars needed to finance the new construction programs of the gas, electric, telephone, and transportation industries.

Two is the problem of inducing customers willingly to pay higher rates for utility services to offset the higher costs of supplying these services. Only by raising rates can the utility business collect sufficient revenues to support adequate service, to pro-

vide proper compensation for employees, and to realize earnings that will attract more capital to provide more service as the customers require it.

Three is to attract the higher quality of man power that will be required to manage and operate these companies successfully in the years ahead.

In order to impress the assembled advertising men of the immense job before them and the great coming expansion in the electric industry, Mr. Lindseth projected the industry's growth during the next thirty years at one-half the rate of that during the past thirty years. He found that thirty years from now the annual kilowatt-hour sales will total 1,000 billion.

By corresponding projection, the total annual revenues of the electric industry would rise from about four billions to fourteen billions, and the property and plant account may increase from fifteen billions to more than eighty billions—a figure that exceeds by ten billions the total 1941 assets of all manufacturing corporations in the United States.

—G. M. W.

## Political Opportunity for Businessmen

Now is the time for businessmen to come to the aid of their parties—both parties. The forthcoming campaign and election give business leaders in both Republican and Democratic parties an opportunity to eliminate the antibusiness and antifree enterprise trend which has been in existence during the past two decades.

This is the main theme of a feature article appearing in the July 17th issue of *Telephony*, the journal of the telephone industry. The editorial, written by the publication's Washington correspondent, not only urges businessmen to start to work now, but it also presents specific suggestions and reasons.

Speaking of the two parties separately, the writer says:

For the Republicans, there exists the responsibility of pointing out to party leaders that the GOP now has its opportunity to

regain the confidence of the American people because the public has become surfeited with unsound extremes of antibusiness legislation and policies.

For the Democrats, there is the more important work of reorienting that party's policies by bringing leaders to recognize what has already been mentioned above. That is, the party has become bogged down by its own flirtation with antibusiness adventures.

Following, there is presented here in condensed form the *Telephony* correspondent's analysis of the three most important antibusiness trends in effect and suggestions as how to stop and reverse such trends.

**F**IRST, *government competition*. Federal government has drifted progressively into business competition with its own citizens. In the beginning it was under the disguise of activities "incidental"

## WHAT OTHERS THINK

to strictly governmental operations. Recently no mask is used.

Therefore, business should insist that Congress enact—if necessary by constitutional amendment—a firm policy of prohibiting Federal government ownership or operation of any business enterprise, except that which is strictly incidental to governmental operations, and without which there would be a waste or default of service to the public. Even in the latter case, the business should be returned to private enterprise as soon as possible rather than to other forms of public ownership.

*Second, U. S. subsidies.* The Federal government has progressively encouraged socialization in the utility business in the states through tax exemption and subsidization, through cheap interest or no interest loans of tax-raised funds, to state and local governments engaged in business enterprise competing with tax-paying business. Such preferences and favors have been extended also to border-line public ownership movements, such as coöperatives established to evade the burden of social responsibility of taxation and regulation which private business must bear.

Hence, Congress should enact laws absolutely ending all such tax exemptions or preferences. Where certain social objectives require Federal assistance (such as loans for rural benefits) no preference

should be given which would penalize or disqualify tax-paying business-managed enterprises in favor of tax-exempt or tax-eating public boards or quasi public agencies.

*Third, Federal regulation.* The Federal government has imposed increasingly burdensome regulations on the operation of private business, especially in the field of public utilities, while at the same time exempting public agencies and coöperatives from such regulation.

The answer is that Congress should insist that all people engaged in the same kind of business, whether organized publicly, privately, or coöperatively, should play the game according to the same rules of regulation, including labor regulation.

In order to achieve these three general aims, the repeal or correction of some 30 Federal laws now on the statute books is said to be necessary. As a political matter it would also involve the overhauling and reindoctrination of thousands of government agencies which have been brought up to sneer at "profit business" as something not quite respectable.

The *Telephony* editorial concludes, however, that "Now is the hour! We, as a nation may not pass this way again." This means that it is important for businessmen to impress political leaders in both parties and to inform the public that socialistic trends in this country must be stopped and reversed immediately.

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## Atomic Energy Aid to Socialists?

THE Chamber of Commerce of the United States observes certain aspects of atomic power. In the chamber's July 9th issue of *Business Action*, it is noted that ardent advocates of the nationalization of all power generating and transmission facilities have fastened eagerly upon a recent expression of Sumner Pike, one of the five members of the U. S. Atomic Energy Commission.

The article said, in part:

Mr. Pike envisaged the time when electric power, generated by atomic energy, could be sold to help defray the tremendous cost of operating nuclear reactors.

Few, perhaps, aside from the public power enthusiasts, realized the implications of Mr. Pike's observation. But, to the socialization theorists, Mr. Pike opened a vista which appears to reveal the picture of final and complete domination of power by Federal authority—an ideal they long have sought.

No private agency, be it ever so resourceful and technologically skilled, may act independently or retain property rights in any discovery relating to atomic energy.

The article concludes with the remark that socialistic zealots already are talking in terms of public power as essential in the interests of national security.

—G. M. W.



# The March of Events

## In General

### St. Lawrence Approval Indicated

No action on the St. Lawrence power plan is likely before election, as far as the Federal Power Commission is concerned, it was reported recently. This was said not to indicate any increasing opposition to the application of the New York State Power Authority to proceed with construction of such a plant jointly with the Province of Ontario. The FPC received no protests.

But it did receive a strong letter of support from Governor Dewey urging

prompt action and disclosing that the Army Corps of Engineers already had approved the state-Province proposal as "compatible with and readily adaptable to further improvement of the St. Lawrence for navigational purposes."

Assuming that the FPC still plans hearings on such an important proposition, in the ordinary course of procedure the time required for hearings, filing of briefs, if any, and writing of opinions, if any, would defer decision until late this year at the earliest.

## California

### Fare Raise Considered Certain

A FLAT 10-cent fare on the San Francisco Municipal Railway by next December or January was considered a certainty recently. This was the consensus of the three city officials most likely to know: Mayor Robinson, Manager of Utilities James H. Turner, and Philip F. Landis, president of the public utilities commission.

All three agreed that a fare increase

is inevitable. Otherwise the Municipal Railway will continue to sink deeper into the red with the present fare of 10 cents cash or three tokens for a quarter, they said.

The mayor would make no comment on the amount of the proposed increase, but both Landis and Turner indicated that 10 cents straight would be "just about right." Under this tentative plan bond interest and redemption costs would be met by tax subsidy.

## Colorado

### Fare Increase Upheld

DENVER city council acted within its legal rights in raising the tramway fare to 10 cents, District Judge William A. Black ruled recently.

Declaring that it was a "sane and sound conclusion" that there is no "clear

prohibition" against the council fixing rates of public utilities, Judge Black dismissed a suit filed by Norman E. Berman, Denver attorney, who had challenged the validity of the recent tram fare boost.

Black denied Berman's primary con-



## THE MARCH OF EVENTS

tention throughout the 2-day trial that only the citizens of Denver can initiate rate-fixing legislation.

"It would be impractical for a company to address itself to the people when the people have a duly elected city council which is the representative of the people," Judge Black said.

### Power Firm Ends Battle

**T**HE Frontier Power Company last month ended its battle to bar the city of Trinidad from building a municipally owned power plant.

Mayor James E. Donnelly said officials of the power firm had signed an agree-

ment under which the city will purchase from Frontier for \$325,000 all poles, wires, meters, transformers, and other equipment necessary for distribution of electric power in Trinidad.

Vice President Paul M. Brown of Frontier confirmed the agreement and said his firm would withdraw at once its lawsuits challenging legality of Trinidad's move to supply its own electric power on a municipal ownership basis.

Under the agreement, Frontier's franchise will be surrendered next January 1st but it will retain transmission lines running through Trinidad to service areas outside the city.

## Connecticut

### Plans Higher Rates

**A**PPPLICATION has been made by the Connecticut Power Company and the state public utility commission for authority to apply its fuel charge provision on bills to electric customers. It has also requested a hearing on a proposed increase in gas service charges.

The fuel charge provision in the Connecticut Power Company's power rate schedule has been effective on large industrial and commercial customers in

areas served and on gas bills since the first of this year.

If the company's proposed application of the electric fuel charge is accepted by the commission, with present fuel prices, it will amount to about one-fifth of a cent per kilowatt hour in the case of residential customers. At this rate it will add 10 cents per month to the bill of a customer using 50 kilowatt hours, 20 cents per month to the bill of a customer using 100 kilowatt hours, and proportionately more in the case of larger users.

## Florida

### Gas Rate Revision Denied

**T**HE Jacksonville Gas Corporation, through W. H. Duguid, vice president and general manager, last month formally applied to the city commission for an upward revision of gas rates in the city.

Utilities Commissioner George A. Pierce at a recent session of the commission, when the company's communication was read, moved that the request for the increased rate structure be denied "because the city is now negotiating with the

company for statistical data to bring about a reduction in rates." The motion was seconded by Commissioner Harold N. Chancey and was unanimously adopted with all members of the commission in attendance.

Several weeks ago the city commission, acting upon numerous complaints about alleged excessive rates charged by the company, requested the company to furnish it with certain information concerning profits, investment, and operating costs.

## PUBLIC UTILITIES FORTNIGHTLY

### Indiana

#### Utilities Eyed for More Revenue

**W**AYS of collecting more fees from three large Indianapolis utilities were discussed by the city council last month as hearings were resumed on the proposed record civil city tax rate for 1949.

The utilities are Indianapolis Railways, Inc., which pays \$18,000 a year for use of city streets; Indiana Bell Telephone Company, \$6,000 for use of city property; and the Citizens Gas & Coke Utility, which will pay an estimated \$185,000 in 1949 in lieu of taxes.

Suggestions were made as City Controller Phillip L. Bayt reviewed the city's

expected revenues for all taxes and fees for seventeen months, beginning August 1, 1948, which he said would total \$1,665,590.

Charles P. Ehlers, Republican councilman, recommended that legislation to bring the gas utility under control of the city be prepared for presentation to the 1949 session of the state general assembly. Specifically, his plan would mandate the utility to pay taxes rather than an annual sum fixed by the company "in lieu of taxes" and give the council control of the company's expenditures.

Mayor Al Feeney backed the suggestion.

### Iowa

#### Monthly Tax Charge Added

**R**URAL electric customers of the Iowa Power & Light Company recently were notified that after September 1st a monthly tax charge of 75 cents would be added to their bills.

A spokesman for the company said the new charge would affect about 10,000 rural customers in 16 central and southwest Iowa counties. The spokesman

stated that rural customers average about three to the mile. He said taxes paid by the company on its rural distribution system have been increased until now they are approximately \$37 a mile, or slightly more than \$12 a customer annually.

He pointed out that the 75-cent monthly additional charge would total \$9 a year, and was intended to defray a part of the tax load on the company's farm distribution system.

### Michigan

#### Promised Continued Gas Supply

**I**NDUSTRIAL users of natural gas in Mt. Pleasant were promised continued supplies throughout the 1948-1949 season. Michigan Consolidated Gas Company recently withdrew its June 15th cut-off notice to local customers in circuit court after Judge Donald E. Holbrook ordered attorneys to proceed with hearings in the franchise litigation between the city and utility.

The court denied the company's new petition to dismiss the case on the claim

that only rates were involved and the matter of rates must be determined by the state public service commission.

James E. Ryan, city attorney, contended that a 30-year franchise voted in 1931 binds the company by contract to supply Mt. Pleasant with gas even if Grand Rapids must be cut off because of short supplies. Ryan argued that the company's claim for emergency rate increases is based on the manufacture of oil gas. However, he contended, no oil gas is used in Mt. Pleasant.

## THE MARCH OF EVENTS

### Missouri

#### Transit Fares Boosted

**T**HE state public service commission last month approved a temporary emergency order hiking the fare of the Kansas City Public Service Company from 10 cents to 12 cents and three tokens for 35 cents.

The commission declined to hike children's fares from 5 to 6 cents as requested by the transit company.

The higher adult fare was effective September 1st. Higher operating costs,

including new contracts for wage increases, were the basis of the company's argument before the commission that it would need a fare increase to break even. The city, which opposed the 2-cent increase, had contended the depreciation and obsolescence reserves were too high, as well as the \$1,000,000 set up for claims and damage payments.

Even with the increased revenue coming from the boost, it was expected the company would still show a loss of around \$90,000 for 1948.

### Nebraska

#### Fare Increase Asked

**T**HE Lincoln City Lines applied to the state railway commission last month for authority to increase its rates and change three routes.

The company wants to sell two tokens for 15 cents, rather than four for 25 cents under the present schedule. All other rates would remain the same.

The postwar inflation price spiral, combined with increased costs and salary

hikes amounting to \$36,500 since the last increase in fares granted December 14, 1947, made the boost necessary if the company is to realize a fair return on its investment, according to the application. Company officials said five new Diesel busses added to its system cost \$67,500, while city taxes have risen \$3,000 a year.

The anticipated route changes would add 60,000 additional miles a year at a cost of \$15,000, it was said.

### Nevada

#### City's Power Needs Discussed

**R**ENO's power needs, present and future, came up for discussion again last month. Meeting with Mayor Francis R. Smith on the subject were City Manager Emory Branch, Frank Tracy, and George Devore, Sierra Pacific Power Company officials, and Bernard Hartung, chairman of the chamber of commerce power committee.

Actually, the mayor said, little real progress was made at the session. The long-debated agreement under which the state's Colorado River Commission could obtain power from Shasta dam came up for more discussion, but no decision was reached on the matter.

Mr. Tracy and Mr. Devore continued optimistic about the ability of the Pacific Gas and Electric Company, from which Sierra Pacific obtains most of its electricity, to meet all local power needs, according to the mayor.

The Reclamation service has offered Nevada a short-term agreement which would bring Shasta power into the state in the event of another emergency like that of last spring, and a long-term agreement which would provide 90,000 kilowatts of power per year from the dam. The 90,000 kilowatts would be accepted by the Colorado River Commission, as a public agency, and then turned over to Sierra Pacific for distribution and sale.

## North Dakota

### Increased Electric Rates Sought

**I**NCREASED electric service rates for North Dakota were requested recently by the Northern States Power Company, Minneapolis.

The state public service commission announced at Bismarck public hearings would be conducted on the request at Fargo, September 8th; Grand Forks, September 9th; and Minot, September 10th.

Higher rates were requested for the following municipalities and adjacent

rural areas served by the company: Fargo, Grand Forks, Minot, Hatten, Larimore, Mayville, Portland, Southwest Fargo, West Fargo, Berthold, Burlington, Buxton, Des Lacs, Lone Tree, Reynolds, Thompson, Arvilla, Cummings, Emerado, and Kempton.

The company also seeks authority to include a fuel clause in its rates for gas service in Fargo and in Grand Forks. The fuel clause will operate to adjust the gas rates in those cities as the price of propane or coal goes up or down.

## Pennsylvania

### Commission Revokes Application

**E**IGHT hundred homes in the Aronimink Park section of Drexel Hill were left with no alternative but to purchase new and individual heating equipment recently, when the state public utility commission revoked the right of a utility company to provide steam heat service in the area.

The ruling was handed down on the application of the Aronimink Park Heating Company, which for the past fifteen years has piped steam into homes in that section of Upper Darby and Haverford township.

The commission said the company, "because of its hopeless financial situation, has no intention of and cannot continue operations." The commission added, however, that it would stand ready to "assist and expedite" any plan of operation or reorganization which would serve to maintain service.

In its decision, the commission was highly critical of the short time allowed residents to purchase new heating equipment before the onset of cold weather.

"Common consideration for the comfort and welfare of the patrons who must find other means of heating would re-

quire a more adequate period of notice for them to arrange the necessary physical conversion," the commission said. "In this case, there appears to have been a complete disregard for the comfort of the patrons."

The commission said it had no knowledge of the company's "critical condition" until May. In July, patrons were notified that the service was to be discontinued.

### City to Fight Fare Increase

**M**AYOR Bernard Samuel last month announced that the city would fight the proposed third-round fare increase for the Philadelphia Transportation Company, as well as any reduction in service.

"I do not see how any reduction of service will materially benefit the company and it will certainly inconvenience a great number of car riders," the mayor said.

"Any proposal along this line will be vigorously resisted."

He said he had instructed City Solicitor Frank F. Truscott "to take the necessary steps to make the company justify in every respect any proposed increases."

"We will insist on operation and man-

## THE MARCH OF EVENTS

agement practices that will eliminate waste and effect economies so that a new

increase in fares will not be necessary," the mayor asserted.

## South Carolina

### Rate Hearing Set

**A**N increase in both gas and electric rates for customers of the South Carolina Electric & Gas Company was recently reported in the office. The Columbia utility last month petitioned the state public service commission to authorize additional fuel clauses for production of gas and electricity and to permit discontinuance of prompt payment discounts now in effect on gas and electric bills. A hearing on the utility's plea was set for September 16th.

Residential electric customers would not be affected by the proposed amended fuel clause for electricity, as only users of more than 15,000 kilowatt hours a month would come under provisions of the clause.

Insertion of a fuel clause in the present gas rate schedule, however, would increase the cost of gas to residential consumers. The application asked that the customers be required to pay any increase in the cost of production of gas over 26 cents per thousand cubic feet.

## Washington

### PUD Votes Offer

**G**RAYS HARBOR PUBLIC UTILITY DISTRICT commissioners voted last month 2 to 1 to offer the Puget Sound Power & Light Company \$1,024,000 for its properties in the eastern part of the county.

The offer will be made through Guy C. Myers, the district's fiscal agent,

whose contract was extended for ninety days beyond October 28th.

The offer, \$76,000 less than the figure for which the company proposed to sell its properties several months ago, is effective through October 15th.

The recent proposal excludes purchase of facilities at Oakville and vicinity, which were included in previous negotiations.

## Wisconsin

### Seek Rate Boosts

**T**HE Wisconsin Power & Light Company appealed to the state public service commission last month for authority to boost gas rates to provide an additional \$400,000 annually in revenues. The increase would amount to about 32 per cent.

Affected communities include Janesville, Madison, Beaver Dam, Waupun, Portage, Baraboo, and Edgerton.

Glydewell Burdick, manager of the firm's rate department, told the commis-

sion that the utility had been losing \$20,000 a month for the last three months. He testified that the company had not changed its rate schedule since 1935 and that operating costs had doubled in that period.

The Lake Superior District Power Company, Ashland, has also asked the state commission for permission to place a 15 per cent surcharge on general retail electric rates. The company serves 26,000 customers in northern Wisconsin and Michigan.





## Progress of Regulation

### Related Company As Customer Must Pay Its Share of Gas Cost

THE Connecticut commission, in authorizing a rate increase for the Derby Gas & Electric Company, examined the terms of a contract under which gas is supplied to the affiliated Danbury & Bethel Gas & Electric Light Company. It was confronted with the question of what would be a reasonable charge for gas sold to the affiliate so that no disadvantage might be imposed upon other customers of the producing company.

Each class of customers, said the commission, should bear its full investment and expense responsibility. The commission must ascertain as definitely as possible that charges fixed in such a contract are compensatory, and the monthly charge should include the Danbury &

Bethel Company's responsibility for investment in a gas-making plant designed to take care of the needs of both companies. The commission added:

Otherwise a burden or, indeed, a form of discrimination may be inadvertently placed upon the other customers of the Derby Gas & Electric Company by requiring them to pay higher rates in order that the over-all operation of the company shall be profitable. Therefore, the commission will consider the Danbury & Bethel Company as an individual customer bearing its full share of the production plant investment in determining reasonable rates and charges for the Derby Gas & Electric Company as related to the sale of gas to the Danbury & Bethel Company under this contract.

*Re Derby Gas & Electric Co. (Docket No. 8050).*



### Necessary Rate Increase Allowed Although Service Is Criticized

THE Georgia commission authorized the Southeastern Telephone Company to increase rates in order to obtain sufficient earnings to meet reasonable expenses of operation and provide a return on capital invested.

The commission said that the application presented serious questions. Referring to criticisms of service, it said:

Admittedly the service provided by the company is not what it should be in several exchanges and yet the company is not collecting sufficient revenue under the present rates to pay operating expenses in Georgia. While there is good and strong argument for denying the whole application based on serv-

ice provided, to do so would prevent the company from attracting the necessary capital funds with which to make the service modern, proper, and adequate, with resulting poorer service and more reason for complaint. Under the circumstances, it appears that the subscribers will ultimately be benefited more by improvements in service even though the cost is a somewhat higher rate in the interim. However, the rates prescribed herein will not produce the full amount of revenue which could be justified for excellent service, but represent an intermediate level between that and the present rates, and should make possible the provision of good service in the future.

*Re Southeastern Teleph. Co. (File No. 19378, Docket No. 8930-A).*

## PROGRESS OF REGULATION

### Pension Cost Claim Reduced

THE Minnesota commission authorized the Northwestern Bell Telephone Company to increase telephone rates so as to produce a return of 6.18 per cent. The company had asked permission to establish rates which the commission estimated would produce a return of 7.05 per cent.

The company has had a pension and benefit plan since January 1, 1913. Service pensions are based on years of service and final average salary. Employees do not contribute. Benefits other than service pensions are financed on the pay-as-you-go basis, as were service pensions prior to 1927. Since that time service pensions have been financed by advance accruals.

Since January 1, 1937, the unfunded reserve requirement has been "frozen." An additional accrual equivalent to interest requirements on the "frozen" unfunded requirement, and adoption of the "modified remaining-cost" accrual basis, under which any pension fund inadequacies which develop (other than the "frozen" unfunded requirement and interest thereon) are spread over future accruals.

Service pensions have increased greatly in recent years because of increased wage levels, lower interest rates on securities in the fund, and higher minimum pensions. The commission, after explaining this situation, said:

The chief controversy is on the question of whether the additional accruals representing interest on the "frozen" unfunded reserve requirement shall be included in operating expenses for rate fixing. The

company contends they are a proper charge to current operating expense, while the commission's statistician has excluded them. The annual amount applicable to Minnesota intrastate operations is about \$113,810. The Federal Communications Commission investigated the matter in its Docket 5188 and ordered the accruals excluded from operating expense for accounting purposes, effective January 1, 1942.

Based on the above considerations, it is our conclusion that accruals in respect of the unfunded reserve requirement for service prior to 1937 should not be included in operating expenses for rate fixing.

Commissioner Chase, in a dissenting opinion, criticized the action of the commission in initiating proceedings on its own motion when the company had applied for authority to increase rates. He said the sole purpose was to take advantage of a law which permits the commission, when proceeding on its own motion, to compel the telephone company to pay the wages and expenses of counsel and others temporarily employed on the case.

He objected to reconsideration of rates, in view of the fact that the company had not appealed from an order of December 3, 1947.

He also took the position that testimony by officers or employees of American Telephone and Telegraph Company, a foreign corporation, over which the commission has no jurisdiction as to financial affairs of that corporation, was not relevant to the issues before the commission. *Re Northwestern Bell Teleph. Co. (M-3000).*



### Property Rented from Affiliate Excluded from Rate Base

THE Connecticut commission authorized a gas company to increase its rates to yield \$190,000 in additional operating revenues. This increase will afford the company a return of 4.9 per cent upon its average utility plant after deduction of customer contributions but adding allowances for materials, supplies, and working capital. It will yield

a return of 5.9 per cent upon that rate base after deduction of the depreciation reserve.

The company included in its utility plant as part of a proposed rate base the cost of an office building occupied principally by it but owned by a subsidiary. The gas company pays rent for the use of the building and charges that rent to

## PUBLIC UTILITIES FORTNIGHTLY

operating expenses. Furthermore, it pays the cost of maintaining and operating the building, and these expenses are reflected in operating expenses. The commission disallowed this item, saying:

It is not reasonable in fixing proper rates to include in the rate base the cost of the real estate owned by the subsidiary corporation and at the same time include as a charge to operating expenses and, therefore, indirectly as a payment by patrons, rent plus the maintenance and operating expenses of the building. The commission finds that the cost of the building, \$195,174, as submitted

at the hearing, without passing upon its correctness in this proceeding, should be excluded for these reasons from the average utility plant of the company in determining reasonable rates. Hence, this average investment in 1948, \$8,449,850, as shown above, excludes the cost of the office building. However, the rental payments and other expenses related to the maintenance and operation of the office building, which are paid by the gas company, are allowed as reasonable operating expenses of the gas company.

*Re Bridgeport Gas Light Co. (Docket No. 8086).*



### Too Soon to Raise Rates Again

RATES for the future should be fixed upon the basis of recurring and normal expenses, says Commissioner Hill of the Maine commission, in writing an opinion accompanying an order disapproving telephone rate increases. Last year higher rates had been allowed by the commission to cover an increase in operating expenses.

Two commissioners disposed of the proceeding, the chairman being on leave of absence. Commissioner Hill expressed

his views on numerous questions involved in rate making. Commissioner Boyle joined in the conclusion that the rate schedule should be disapproved, but only on the ground that sufficient time had not elapsed since the effective date of the earlier order. On the facts presented, he said, it was too early to decide whether the company was earning a fair return. *Public Utilities Commission v. New England Teleph. & Teleg. Co. (FC No. 1275).*



### Judicial Notice of Postwar Changes Eliminates Need for Rehearing

THE court of civil appeals of Texas affirmed a lower court order approving an award of a certificate to a motor carrier.

Carriers objecting to the certificate award sought a rehearing on the ground that changes in circumstances occurring after the end of the original hearing should be considered. They claimed that the fact that World War II, ended subsequent to the hearing, made a reconsideration of the award imperative.

Their claims may be summarized as follows:

Armed service personnel was being discharged in great numbers. Military camps and war plants along the highways involved had been curtailed or abandoned; and that travel on busses over these routes was de-

creasing. That wartime restrictions on manufacturing had been relaxed and equipment was available and being purchased by them with which they could render additional service. That gasoline rationing had been lifted and the public would travel by private conveyance. That airplane service was increasing.

The concluding allegation was that, "All of said changes were matters of which the commission could have taken judicial notice, and its failure to do so would be arbitrary and unreasonable."

The court, in overruling these contentions, pointed out that since the commission could take judicial notice of these conditions, no need for a rehearing existed.

The commission, the court conceded, erred when, in stating the reasons for its

## PROGRESS OF REGULATION

decision, it pointed out that the objecting carriers had failed to establish conclusively their ability to render any additional service found necessary.

This error was not considered reversible, since where a valid basis, such as

public need for service, exists for an order, it will be upheld even if some of the stated reasons are invalid. *Southwestern Greyhound Lines, Inc. et al. v. Railroad Commission et al.* 208 SW2d 593.



### Higher Wages Result in Emergency Fare Increase

THE Minnesota commission authorized the Minneapolis Street Railway Company and the St. Paul Railway Company to put into effect a temporary or emergency fare of 11 cents. The commission found that since its rate order adopted last year there had been increases in operating expenses exceeding increases in revenue. The difficulties presented were described in these words:

Because of the lag in time between the dates when wage rates are determined and fixed by the labor board of arbitration and the date when the rates of fare are found and fixed by the commission, it is practically impossible to find and fix rates of fare which for a period of one year will enable the company to earn and receive a given rate of return.

For example, the 1947 wage rate adjustment was not finally determined until the latter part of April, at which time an increase of 12 cents per hour was made retroactive to January 1, 1947, 3 cents per hour effective June 1st and 5 cents per hour effective July 1st, resulting in an annual increase of \$960,205. On May 3, 1947, the company filed its application for an increase in its rates of fare. Due to protracted hearings held, the case was not closed and order issued until September 10, 1947, the new rate being effective September 14, 1947. In said order the commission found that under the conditions existing at that time the increased rates of fare would permit the company to derive a net operating income of \$1,183,563 and a return of 5.99 per cent on the fair value of its properties.

The negotiated wage rate increase made in 1948 was 12 cents per hour retroactive to January 1, 1948, and 6 cents per hour effective July 1st. Because of the 12-cent increase in the hourly wage rate the net operating income for the five months ended May 31, 1948, was only \$175,674, and the equated rate of return earned was 2.13 per cent. A situation similar to 1947 is present in the instant proceeding in that the 1948 wage rate increase of 12 cents per hour became effective January 1st, and the company's application for an emergency increase was filed May 14, 1948.

Commissioner Chase, in a dissenting opinion, said that the increase was unjust to the riding public and would hurt the business of the streetcar companies, and that the orders would be reversed by any court to which they are appealed. He said that the emergency resulted from a wage increase allowed by a board of arbitration created under the terms of a contract between the employees and the transit companies. The public was not a party to the contract, streetcar riders were not parties to it, the cities were not parties to it.

Now, he said, the transit companies sought to evade the results of their own act in raising wages by passing the cost of the wage increase on to their customers. *Re Minneapolis Street R. Co.* (File No. A-5972-2); *Re St. Paul City Railway Co.* (File No. A-5971-3).



### Court May Not Direct Commission Action on Complaint

THE Minnesota commission, through the state attorney general, was awarded a writ by the state supreme court restraining a lower court from taking any action on an appeal from a commission order. A complaint by a com-

petitor against a cab company had been dismissed by the commission on the ground that it did not have jurisdiction over the company.

The district court, on appeal, had directed the commission to enter an order

## PUBLIC UTILITIES FORTNIGHTLY

determining that certain actions of the cab company were in violation of law and to order the company to end such violations. The commission then applied for a writ to restrain the court's action.

The supreme court pointed out that the district court had exceeded its authority and added:

It exhausts its powers when it determines whether the commission's orders are unreasonable or arbitrary. It may not go further

and direct the commission as to what order it must enter and then direct it to issue a cease and desist order in furtherance of the order it assumes to direct the commission to make. . . .

The court may not assume the functions of the commission. To do so would be an unconstitutional assumption of legislative powers.

*Arrowhead Bus Service, Inc. v. Black & White Duluth Cab Co., Inc. et al.* 32 NW2d 590.



### Fire Hydrant Rentals a Municipal Function

THE Indiana commission, in approving a rate increase for a municipal water utility, pointed out that even with the increase the utility's return on its investment would be insufficient and suggested, but did not order, that a charge

for fire hydrants would be established.

The commission thought that collection of such rentals was within the administrative discretion of the town itself and not within the scope of commission activities. *Re LaFontaine* (No. 20584).



### Illegal Operation May Not Prove Public Need for Cab Service

APPLICATIONS for authority to operate taxicabs in a municipality and within a 50-mile radius were denied by the Colorado commission for lack of proof that existing service was inadequate. Two carriers had operated for some time under municipal authority only and applied for certificates only after they had been ordered to cease their unauthorized operations.

The commission did not feel that the carriers should be permitted to profit by

their unlawful activities by using them to show public need for more cab service.

The commission ruled that the matters complained of, principally poor night service, were insufficient to establish the need for additional service, and that even as to these matters the service of authorized carriers could be made adequate under commission direction. *Re Sanchez* (Application Nos. 7519, 8353, Decision No. 29729).



### Relationship between Rates and Service Costs

THE Massachusetts Department of Public Utilities, in approving gas rate increases, said that while consideration and weight may be given to estimated operations, the department can in justice regulate primarily only on known facts. Estimates of earnings in today's unsettled conditions were said to be extremely problematical and, therefore, on the whole, unsatisfactory.

The department also said that before

approving higher rates, it must review not only the total amount of the increase required to meet rising costs but must also find that proposed increases represent a reasonable and equitable distribution of the increased costs.

An examination of the rates for space-heating gas brought out the fact that while space-heating customers approximated only 9 per cent of the total customers and paid in only 29 per cent of



## PROGRESS OF REGULATION

total revenues from the sale of gas, they used 41 per cent of the total cubic feet sold. The extent to which such sales had grown in the highly competitive field of heating, said the department, placed considerable responsibility upon the management as to its future policy in relation to this type of service. During the war years and continuing to the present, it was said, the increase in gas rates for space heating had not kept pace generally

with the increase in price for other fuels.

The company had a special contract customer taking a large amount of gas at an average revenue of 59 cents per thousand cubic feet. This contract, said the department, should be revised upward, particularly in view of the fact that the low step under the contract was at a 45-cent net rate, or at a rate below the basic average cost of purchased gas. *Re Old Colony Gas Co. (DPU 7996).*

### Applicant's Testimony Insufficient Proof

THE application of a farmer and his two sons for authority to transport livestock was denied by the Colorado commission. The testimony indicated that pecuniarily, and otherwise, applicants were qualified to carry on the operation. They testified as to the need for the proposed service but had no customer witnesses to testify in their behalf. Many carriers testified that their service would be impaired if a new carrier were author-

ized to operate in this particular area.

The commission, in ruling that the applicants had failed to make the required proof, stated:

We cannot grant permits on statements of applicants alone, unsupported by customer witnesses when authorized common carriers vigorously maintain that they are giving adequate service, and the granting of additional authority will impair their present service.

*Re Kinnison et al. (Application No. 8817-PP, Decision No. 29446).*

### Advance Ticket Sale before Rate Increase

AN investigation by the New York commission into the rules and regulations of railroads relating to the sale of tickets for future use resulted in the cancellation of the regulations prior to the conclusion of the commission action. The carriers had applied to the Interstate Commerce Commission for rate increases and favorable action was expected. A heavy increase in ticket sales prior to the effective date of the rate increase was foreseen.

The railroads contended and the commission conceded:

... that by this temporary increase in tickets sold they are deprived of additional revenue that they would have received had the tickets been purchased after the effective date of the increase.

The railroads also indicated fears that speculators would buy up tickets for resale after the rate change.

The regulations questioned by the commission limited the sale of tickets for use after two weeks from the date of sale. The commission pointed out that, with vacations coming, much inconvenience would result from regulations which so curbed travel planning.

But even more convincing, perhaps, was the commission's second argument against the regulation. It observed:

... that as far as preventing speculation generally or protecting the railroads, the instructions did not accomplish the major purpose. Under the appropriate tariff filing any ticket for transportation (as distinct from space) is good for a year. The speculator, or as far as that goes, any traveler could have purchased either coach or first-class tickets and used them at any time within the following year. Such passenger need not disclose the date on which he intended to travel. The result is that the restriction on the sale of future tickets actually applied only to purchasers of space.

The commission concluded its report

## PUBLIC UTILITIES FORTNIGHTLY

with the finding that the railroads by failing to file, publish, and post the regulations, so that the commission could pass on their reasonableness, violated the

Public Service Law and seriously inconvenienced the public. *Re Certain Rules and Regulations of Railroad Companies Governing Sale of Tickets (Case 13795).*



### Other Important Rulings

THE Indiana commission authorized the discontinuance of a bus route which had been authorized as a trial service where it was shown that after a fair trial operating costs exceeded operating revenues to the extent that an unreasonable financial burden was thrown on the company. *McCormick v. Indianapolis Railways, Inc. (No. 20233).*

A village water utility seeking a rate increase was directed by the Wisconsin commission to add a surcharge to rates for consumers residing beyond village

limits to cover the cost of fire protection which village residents were paying for in their property taxes. *Re Village of West Salem (2-U-2679).*

The Massachusetts Department of Public Utilities denied a petition for authority to operate motor vehicles where the company had repeatedly violated the terms of another certificate. The department said that it is authorized, in the exercise of discretion, to deny a permit to one who has violated its orders. *Re Sutcliffe Transp. Co. (DPU 7864).*

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*Public Utilities Reports (New Series)* are published in five bound volumes annually, with an Annual Digest. These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are \$7.50 each; the Annual Digest \$6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."

WISCONSIN PUBLIC SERVICE COMMISSION

Re City of Stevens Point

2-U-2669  
June 25, 1948

**A**PPPLICATION by municipality for authority to increase water rates; increase authorized.

*Return, \$ 100 — Municipal water plant.*

1. A return of  $5\frac{1}{2}$  per cent was deemed reasonable for a municipal water utility, p. 97.

*Rates, \$ 618 — Municipal water plant — Private fire protection.*

2. Municipal water plant rates for private fire protection should make the governing factor the size of the service pipe connection, or in other words, the demand the customer can make with his particular connection, although private fire protection service should not carry as much of the capacity and demand costs as the general user with the same size connection, because the latter is metered, p. 98.

*Rates, \$ 429 — Municipal water plant — Differential for suburban customers.*

Statement that the municipal water plant rate differential for service to customers outside the city limits as established by a previous order will be maintained in a revision of rates, p. 99.

By the COMMISSION: The city of Stevens Point, Portage county, as a water public utility on March 17, 1948, filed an application with the Commission for authority to increase rates. A notice of investigation and hearing and assessment of costs was issued on March 26th.

APPEARANCES: City of Stevens Point, by Vern Somers, Superintendent Water Utility; M. A. Rose, President of Water Commission; N. J. Knope, Secretary of Water Commission; W. J. Normington, member of Water Commission; B. W. Dagneau, Mayor; Leonard Sorenson, Councilman; W. R. Ruff, Councilman; A. A. Menzel, Councilman, and A. J. Schierl, member of Council.

Applicant asks increased rates to meet higher costs of materials and higher wages paid existing personnel.

From a careful review of the data furnished by applicant and after allocation of costs between the water and sewer departments, the Commission concludes that present operating costs for labor and materials of the Stevens Point water department are \$48,790 a year.

[1] The reported book cost of plant on December 31, 1947 was \$766,051. After deduction of the depreciation reserve and contributions in aid of construction and the addition of \$61,000 for working capital and materials and supplies, a rate base of \$626,000 results. In 1947, applicant earned about

## WISCONSIN PUBLIC SERVICE COMMISSION

\$16,235 or 2.6 per cent on such rate base. Applicant desires a rate of return of  $5\frac{1}{4}$  per cent which the Commission considers reasonable for the Stevens Point water department. Additional revenues of \$18,712 a year are necessary to produce such return on the stated rate base.

With an allowance of \$9,000 a year for depreciation and a local and school tax equivalent of \$10,000 annually, total annual fixed charges are about \$53,430. When the operating expenses for labor and materials of \$48,790 are added, total expenses of \$102,220 a year are indicated.

When the operating expenses are apportioned between the two major classes of service, \$31,874 is attributable to fire protection and \$70,346 to general service. On the basis of 1947 revenues, \$9,240 in additional revenues must be received from fire-protection service and \$9,472 from general service to provide the \$18,712 of desired additional revenue.

Applicant suggested that a rate schedule effective in 1942, when rates were reduced, be restored. A cost study indicates, however, that such action would be inequitable, as water used quarterly in excess of 10,000 cubic feet carried the same rates then as now, and graduated minimum charges for meters larger than  $\frac{3}{4}$ -inch were not reduced.

An analysis has been made of cubic feet used by all except small residential customers. The consumption by smaller residential customers falls in the first two blocks of the present rate schedule. The analysis shows that customers with larger meters and higher demands have not been carrying their share of the capacity and de-

mand costs. Several users seem to have meters larger than their average consumption per quarter warrants. Consideration has been given to these facts in fixing the rates ordered herein. Under the new rates, a customer with an indicated large demand and low consumption will experience a substantial increase, while a few customers with large consumptions of water quarterly may get a small reduction.

[2] A revision of rates is ordered herein for customers with connections for private fire-protection service. There are eighteen such customers in Stevens Point. Rates fixed for such service will make the governing factor the size of the service pipe connection or, in other words, the demand the customer can make with his particular connection. The cost of the amount of water actually used by a private fire-protection connection is usually insignificant compared to the cost to the utility of maintaining its facilities up to the point of connection. Private fire-protection service, however, should not carry as much of the capacity and demand costs as the general user with the same size connection, because the latter is metered. The schedule of flat-rate charges herein ordered for private fire-protection service connections will reduce bills for a few users if piping is rearranged so that one point of service is obtained. Although the new rate schedule will increase charges to other such users, the schedule will eliminate discriminations now existing among several such customers with connections of the same size.

The differential for water service to customers outside the city limits as

## RE CITY OF STEVENS POINT

established by order of July 11, 1947, in docket 2-U-2385 will be maintained in the revision of rates in this case.

The Commission finds:

1. That existing rates of the city of Stevens Point, Portage county, as a water public utility are unreasonable because they are discriminatory and inadequate.

2. That the net book value of applicant's property and plant, materials and supplies, and working capital used and useful in the rendition of water

public utility service is \$626,000, and that such value constitutes a reasonable and proper base for rate-making purposes.

3. That a  $5\frac{1}{2}$  per cent rate of return on such rate base is just and reasonable.

4. That rates ordered herein will yield a return of approximately  $5\frac{1}{2}$  per cent on the above rate base and are reasonable and lawful.

The Commission concludes:

That an order revising rates as herein prescribed should be issued.

## COLORADO PUBLIC UTILITIES COMMISSION

### Bernard M. Shotkin, Trustee, Doing Business under Name of Power & Light Company

v.

### Mountain States Telephone & Telegraph Company

Case No. 4972, Decision No. 30543

May 26, 1948

**C**OMPLAINT by telephone subscriber against company's refusal to accept listing in directory; dismissed.

*Pleading, § 9 — Motion to make answer definite and certain.*

1. A motion, by a subscriber complaining against a telephone company's refusal to accept a directory listing, that the company be required to make its answer more definite and certain, was denied where the company tariffs, which were the basis of the answer, were a matter of public record and readily accessible to the subscriber and where the information sought would be of no value to the Commission and would only be an additional burden to the record, serving no useful purpose, p. 101.

*Service, § 107 — Commission jurisdiction — Telephone directories.*

2. The Commission, under its statutory authority over the operating lines



## COLORADO PUBLIC UTILITIES COMMISSION

of public utilities, may regulate the form, content, and cost of a telephone directory, p. 102.

### *Service, § 434 — Telephone directories — Company's regulations as to listing.*

3. Rules and regulations by telephone companies retain the right to reject directory listings which, in their judgment, do not facilitate the use of the directories by the public, should be upheld so long as such rules are not unreasonable or arbitrary, p. 102.

### *Service, § 434 — Telephone directories — Right to reject listing.*

4. A telephone company is not required, under its obligation to furnish service and facilities without discrimination to anyone who will pay for them and abide by company regulations, to make listings in its directory which are misleading and designed to attract people to a customer's place of business, p. 103.

### *Service, § 434 — Telephone directories — Refusal to accept listings.*

5. The refusal of a telephone company to list an appliance business under the name "Power & Light Company" in a directory is proper and a reasonable exercise of discretion and in the public interest, since to permit such listings would decrease the efficiency of the directory and tend only to confuse the users of telephone service, p. 104.

**APPEARANCES:** Bernard M. Shotkin, Denver, for plaintiff; Elmer L. Brock, Denver, and J. H. Shepherd, Denver, for defendants; J. W. Hawley, Denver, for the Commission.

By the COMMISSION: This is a proceeding filed by Bernard M. Shotkin, trustee, doing business under the trade name and style of "Power & Light Company," plaintiff, against the Mountain States Telephone and Telegraph Company, a corporation of the state of Colorado, and S. P. Ogden, president, defendants.

Plaintiff alleges, among other things, in substance, that prior to December 24, 1947, request was made, orally, and later in writing, to list the name "Power & Light Company, 1110-1112 Seventeenth Street, Denver, Colorado," in defendant's telephone directory, using telephone number "MAin 8668," which telephone number was used by plaintiff for other business names listed since 1944; that defendant has refused, and continues

to refuse, to list the name "Power & Light Company" in the telephone directory, and that defendants have refused to give him an itemized list of his telephone charges on the bills submitted to him, and refused to rectify overcharges on bills.

On February 21, 1948, defendants, the Mountain States Telephone and Telegraph Company and F. P. Ogden, filed their answer, alleging:

"1. The defendant corporation, relying upon its filed tariff provisions and its long-established practice and usage with reference to listings in the telephone directory, refused to accept the listing referred to in paragraph 1 of the complaint for the reason that it was not in accordance with the tariff and is not descriptive of the subscriber's business.

"2. Defendant denies that it has refused to furnish itemized statements of telephone charges or has refused to rectify any justifiable overcharges on bills rendered."

## SHOTKIN v. MOUNTAIN STATES TELEPH. & TELEG. CO.

On March 15, 1948, plaintiff filed a motion that defendants make definite and certain their answer.

At the hearing, the motion was argued by plaintiff and attorneys for defendant.

[1] The Commission can see no good reason why said motion should be granted. The tariffs are a matter of public record, readily accessible to the plaintiff, and the balance of the motion is argumentative, and in the opinion of the Commission, the information asked for would be of no value to the Commission, and would only be an additional burden to the record, serving no useful purpose.

The above complaint was set for hearing at 330 State Office building, Denver, Colorado, on March 24, 1948, at which time plaintiff asked to amend his complaint by adding the following, which plaintiff designated as "Paragraph 7" of his complaint:

"That the defendants jointly have increased their rate charges about 25 per cent, upon the promise they would give better service to the plaintiff, and others, but instead, since the increase in rates, discriminated against plaintiff by denying they have reduced plaintiff's service, in that he has been, many times during each day, unable to secure a dial tone when he, or his employees, desired to make a business call, and plaintiff was compelled to wait considerable time to be able to talk on the phone."

Plaintiff also asked to amend the prayer of his complaint to conform to the above amendment. The permission to amend was taken under advisement by the Commission.

The Commission has carefully considered the amendment to the com-

plaint, and after due consideration thereof, finds that said amendment should be denied. See *Denver v. The Mountain States Teleph. & Teleg. Co.* 67 Colo 225, PUR1920A 238, 184 Pac 604.

At the hearing, the evidence disclosed that Bernard M. Shotkin is operating an electrical appliance and fixture business at 1110-1112 Seventeenth street, Denver, Colorado, under several different names, and what appears, as we view the record, a confused ownership. We do know, however, and the evidence clearly establishes, that this business is at present listed in the Telephone Directory under the following names:

"Barney M. Shotkin, lighting fixtures, 1110 17th Street, Telephone MAin 8668," and

"Chicago Wholesale Merchandise Company, 1110-1112 17th St., Telephone MAin 8668."

The evidence further discloses that plaintiff also, prior to July 1, 1947, had listed "Edison Power and Light Company, 1110 17th Street, Telephone MAin 8668"; that during the latter part of 1947, plaintiff was restrained from using the above name—that is, "Edison Light and Power Company," by a Federal Court, prohibiting him from using the word "Edison" in his business name. Plaintiff, in apparent compliance with the Federal court's order, has dropped the word "Edison," and for his electrical appliance and fixture business, at the same location, 1110 17th Street, uses the name "Light & Power Company."

On December 12, 1947, a letter was written to the defendant company under the following letterhead: "Chicago Wholesale Merchandise Co.,

## COLORADO PUBLIC UTILITIES COMMISSION

1110-12 Seventeenth Street, Denver 2, Colorado, Phone MAin 8668," and addressed to the defendant company, stating:

"Please cancel insertion of Edison Power & Light Company or Dison Power & Light Company."

Shotkin states, and the evidence indicates, that since the date of this letter he has made further demands for listing in directory of Power and Light Company. Plaintiff, on February 2nd, and again on March 21, 1948, ran paid advertisements in The Denver Post, advertising electrical appliances and fixtures under the name of "Power & Light Company," 1110 17th street, Telephone MAin 8668. He also introduced several letters, checks and letterheads, and a telegram, all addressed to the "Power and Light Company," all bearing the name "Power & Light Company" on its face.

Some evidence went to questions involving certain disputed accounts rendered Shotkin by Telephone Company. Apparently the matters in dispute have been adjusted, and in the judgment of the Commission, the complaint now resolves itself to one question for our consideration, viz.: "Does Shotkin have the right to have listed the name 'Power & Light Company,' in the Metropolitan Denver Telephone Directory."

Plaintiff's request for the listing has been refused by defendant. The defendant, to justify such refusal, relies upon tariff provisions filed with the Commission, a part of which is as follows:

"The alphabetical directory is a list of names of subscribers, joint users, and others for whom directory listings are provided *designed solely for the*

*information of calling parties.* Alphabetical listings are, therefore, limited to information which is essential to the identification of the listed party; arrangements of names designed to be of advertising value are not permitted, nor is any form of listing permitted which, in the judgment of the telephone company, does not facilitate the use of the directory, or is otherwise objectionable or unnecessary for purposes of identification."

[2] The question of jurisdiction of the Colorado Public Utilities Commission over this question, in our minds, is clearly settled by the courts: A Railroad Commission which has, by statute, regulatory authority over public utilities operating lines, may regulate the form, content, and cost of the telephone directory. *California Fireproof Storage Co. v. Brundige*, 199 Cal 185, PUR1926E 852, 248 Pac 669, 47 ALR 811.

[3] The present Telephone Directory issued and used by the telephone users of Denver, is published for Metropolitan Denver, to be used also by customers residing in and outside of the city and county of Denver. The Commission, clearly, has jurisdiction over the area beyond the Denver city limits. However, if said directory were published only for Denver users, there might be a question as to our jurisdiction, but such is not the case. A telephone directory is an essential instrumentality in connection with the peculiar service which a telephone company offers for the public benefit and convenience. It is as essential as the telephone receiver itself, which would be practically useless for the receipt and transmission of messages without the accompaniment of such di-

## SHOTKIN v. MOUNTAIN STATES TELEPH. & TELEG. CO.

rectories. The forms which such directory conventionally took with the inception of this modern method of message transmission was that of an alphabetical list of the names of the subscribers. The telephone companies, by virtue of their past experience, and to facilitate telephone service, have published tariff provisions, rules, and regulations retaining unto themselves the right to reject listings which, in the judgment of the telephone company, do not facilitate the use of the directory by the public using telephone service. So long as the rules are not unreasonable or arbitrary, they should be upheld.

[4] The Commission did not disapprove the aforementioned tariff provisions, rules, and regulations. If a telephone listing is misleading, it causes confusion and is of little practical value to the general public. In the instant case, the name "Light & Power Company" seeks to, and does, convey the idea of a company furnishing light and power, only, and clearly does not describe a company selling electrical appliances and fixtures. While it is the duty of a telephone company to furnish service and facilities without discrimination in favor of, or against, anyone who will pay the applicable tariff rate and abide by the reasonable regulations of the utility, this does not require company to make listings which are misleading and designed to "get people in plaintiff's place of business." He now has two listings in the present telephone directory—one, "Barney M. Shotkin, lighting fixtures, 1110 17th St.," and second, "Chicago Wholesale Merchandising Company, 1110-1112 17th St.," all under the telephone number of "MAin

8668." In effect, he seeks to insert another "ad" in the directory—a sort of "shotgun" set-up—not "Shotkin," for only one "ad" uses his name.

Plaintiff, in his argument before the Commission, complains that telephone company has listed the name, "Flowers, Inc.," maintaining that it also is a general term, and is comparable and similar to the name "Power & Light Company" he wishes to have listed.

In our judgment, he overlooks the fact that this company sells flowers, and the name "Flowers, Inc.," is not a misnomer, and is not misleading.

A telephone patron desiring flowers can purchase same by calling "Flowers, Inc.," while one calling MAin 8668 for power or light service, would be deceived, as plaintiff does not deal in either power or light, as clearly disclosed by the evidence in the instant record. In fact, in our judgment, plaintiff does not operate a power and light company.

Shotkin also considers very important the fact that he has done considerable advertising in newspapers, etc., using the firm name of "Power & Light Company," but it appears from the evidence that the advertising was made after denial of the telephone company to make the listing. Plaintiff also states in his complaint filed February 9, 1948, being Paragraph No. 2:

"That plaintiff further avers that previous to December 24, 1947, he has registered under the law with the city and county of Denver and state of Colorado that Bernard M. Shotkin, trustee, was trading as Power & Light Company,"

while on the other hand, the evidence clearly discloses that no registration was made in the city and county of

## COLORADO PUBLIC UTILITIES COMMISSION

Denver of his trade name until 10:40 A. M., March 23, 1948.

The Commission, in its endeavor to get the true picture of plaintiff's complaint, was very lenient in allowing the introduction of evidence, and as a result, the record is filled with irrelevant material, and testimony was presented out of order, resulting in confusion. This was permitted by the Commission because applicant appeared pro se, and we felt that it was our duty as a Commission to get all the facts, trusting that we would be able to separate the wheat from the chaff.

[5] It appears to the Commission that the refusal of the defendant telephone company to list "Power & Light Company" in its directory is proper and a reasonable exercise of its discretion, and is in the public interest; and that to permit or require plaintiff to make listing sought would decrease

the efficiency of the present telephone directory; that the request of applicant is clearly not in the public interest, and it would tend only to confuse the users of telephone service.

The Commission finds: After careful consideration of the record and the evidence submitted at the hearing, that Complaint in Case No. 4972 should be dismissed, for the reason that plaintiff has failed to show any practices by telephone company that are contrary to the rules and regulations as promulgated by this Commission, or that the company has discriminated in any manner against plaintiff, as more particularly set out in the statement preceding, which said statement is made a part of this finding, by reference.

### ORDER

The Commission orders: That Case No. 4972 should be, and the same hereby is, dismissed, for the reasons heretofore set forth.



PENNSYLVANIA SUPERIOR COURT

City of Philadelphia

v.

Pennsylvania Public Utility Commission  
(Philadelphia Transportation Co., Intervener)  
(Two Cases)

162 Pa Super Ct 425, 57 A2d 613  
March 16, 1948

**A** PPEAL by municipality from Commission order permitting transit rate increase; affirmed.

*Evidence, § 21 — Admissibility — Telegram received after close of hearing — Waiver of formal proof.*

1. The admission into the record of a transit company's rate hearing of a telegram notifying the Commission of a general wage increase given to the company's employees was not prejudicial to a municipality protesting the increase even though the telegram was received two days after the final hearing, since the Commission could waive formality in the proof of the new labor contract, p. 107.

*Rates, § 648 — Evidence — Telegram received after close of hearing — Wage increase.*

2. A telegram evidencing a new wage contract between a utility and its employees, received by the Commission after the close of a rate proceeding, may properly be considered by the Commission in reaching a decision as to a proper rate, p. 107.

*Rates, § 650 — Requirement of specific findings — Finding of value.*

3. The fact that a Commission finds neither the fair value of transit company property nor the allowable rate of return in a rate hearing involving higher operating costs does not make its order defective for insufficient findings provided the findings which it does make are in sufficient detail to permit a court on appeal to determine the controverted question presented by the proceeding and whether proper weight was given to the evidence, p. 107.

*Rates, § 650 — Procedure — Commission findings — Fair value.*

4. The law does not require that the Commission make a finding of fair value of utility property in every rate proceeding, p. 107.

*Discrimination, § 150 — Transit rate — Minor variations — Distance basis.*

5. The fact that there is some minor variation in transit rates, particularly in zone fares applicable to suburban areas, does not constitute unreasonable discrimination, or invalidate the rates, where the fares are based on distance

## PENNSYLVANIA SUPERIOR COURT

traveled and the differences are logical and within the flexible limit of Commission judgment in exercising its rate-fixing powers, p. 109.

*Appeal and review, § 56 — Grounds for reversal — Admission of court finding on previous appeal.*

6. The admission into the record of a Commission hearing of a court finding of value of utility property made on an earlier appeal is not error which would require reversal of the Commission order where the court finding of value is only one of the elements considered and was not in any sense regarded as controlling, p. 109.

*Rates, § 650 — Procedure — Requirement of findings — Fair value.*

Statement that where rates are imposed on a utility by the Commission or where the Commission finds new rates to be unreasonable or in violation of law, a finding of fair value is essential, p. 108.

Before Rhodes, P. J., and Hirt, Reno, Dithrich, Ross, Arnold, and Fine, JJ.

APPEARANCES: Abraham Wernick and G. Coe Farrier, Assistant City Solicitors, and Frank F. Truscott, City Solicitor, all of Philadelphia, for appellant; Charles E. Thomas and William M. Rutter, both of Harrisburg, for the Commission; Hamilton C. Conner, Jr., and Allen Hunter White, both of Philadelphia, for Philadelphia Transportation Co.; Frederic L. Ballard and Ballard, Spahr, Andrews & Ingersoll, all of Philadelphia, for appellees.

HIRT, J.: In April, 1946, Philadelphia Transportation Company filed a tariff supplement to its existing bus and rail rates to become effective on May 5, 1946. The company thus sought a general increase in its basic transportation fares, with some minor exceptions, from  $7\frac{1}{2}$  to  $8\frac{3}{4}$  cents; the increase in cash fares was from 8 to 10 cents. The Public Utility Commission on its own motion immediately started an investigation (at Docket No. C. 14133) to determine the fairness of the proposed rates, and the

city of Philadelphia in a separate proceeding, filed its complaint (at Docket No. C. 14134) against the proposed increases. Hearings before the Commission began on June 25, 1946, and were held at frequent intervals thereafter. Twenty-five hundred pages of testimony and four volumes of exhibits attest to the thoroughness of the inquiry. On January 29, 1947, the Commission found the proposed rates to be just and reasonable and made an order in each proceeding permitting the supplemental tariff to become effective on February 5, 1947, the date to which the operation of the new rates had been suspended by the Commission. These are the appeals by the city from the orders of the Commission. The city contends that there were errors, fundamental as well as procedural, which will make it necessary that the investigation and the complaint be referred back to the Commission.

The two proceedings were consolidated by the Commission, but only "for the purpose of making a common record usable in either proceeding." It was made clear that the Commission's investigation and the city's com-

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plaint were to remain separate in all other respects. The city became apprehensive that the Commission would not dispose of the issues in time to prevent the automatic operation of the tariffs on February 5, 1947, the end of the maximum periods of suspension under the law. And on December 24, 1946, the Commission closed the complaint proceeding brought by the city at the insistence of the city. The final hearing on the Commission's investigation was held on January 23, 1947. On January 27, 1947, counsel for the company notified the Commission by telegram of a new contract entered into by the company with Transport Workers Union, two days after the final hearing, by which the employees of the company secured a general wage increase of 13 cents per hour, beginning with February 11, 1947. At the company's request the Commission made the telegram part of the record in its investigation proceeding and the Commission considered the effect of the increased operating costs, resulting from the 1947 labor contract, in determining that the increases in rates proposed by the new tariffs were reasonable.

[1, 2] The city's case had been closed and, there was no reason why the Commission in its investigation could not waive formality in the proof of the 1947 labor contract. The city's contention that the admission of the telegram in evidence in the Commission's case was error prejudicial to it, therefore is groundless. Increased costs of operation resulting primarily from prior increase in wages, which had become effective February 11, 1946, prompted the filing of the new tariffs here involved. The effect of

the 1946 wage agreement was to increase operating expenses by \$3,500,000 per annum. There was testimony at the hearing on January 9, 1947, and again on January 23, 1947 (subject to cross-examination by the city's counsel who according to the record was present on both occasions), that each additional increase of one cent per hour in the basic wage rate of employees of the company would further increase labor costs by \$323,000 per year. The city must have appreciated the relevancy of this testimony. It had notice of the labor union's demand for additional general increases in employee wages of 30 cents per hour and knew that the 1946 wage contract would expire on February 10, 1947. Throughout the proceedings the prospect of further increased labor costs was in the offing and must have been within the contemplation of all parties. Actually, the city was not prejudiced by the informal admission of proof of the 1947 labor contract nor by a consideration of it as one of the factors bearing upon the issues in the Commission's inquiry. There can be no denial of the fact of an over-all increase of 13 cents per hour by the 1947 labor contract nor that the increase had an important bearing on what the company justly was entitled to earn. The Commission properly considered this evidence in its investigation and its order in that case necessarily controls the final order in the complaint proceeding brought by the city.

[3, 4] It is alleged that the Commission erred in failing to make specific findings of fact in sufficient detail, to determine whether proper weight was given to the evidence by the Commission; and further, that the record

## PENNSYLVANIA SUPERIOR COURT

is fatally defective in that the Commission did not find the fair value of the company's property nor determine definitely the allowable rate of return thereon. There is no merit in these contentions. The requirement of the law is that the Commission shall make findings "in sufficient detail to enable the court on appeal, to determine the controverted question presented by the proceeding, and whether proper weight was given to the evidence." Public Utility Law of May 28, 1937, PL 1053, art. X, § 1005, 66 PS § 1395. Cf. *Pennsylvania Power & Light Co. v. Public Service Commission* (1937) 128 Pa Super Ct 195, 218, 19 PUR NS 433, 193 Atl 427; *Peoples Nat. Gas Co. v. Public Utility Commission* (1940) 141 Pa Super Ct 5, 12, 35 PUR NS 75, 14 A2d 133. The purpose of the requirement is in aid of the court. The law was sufficiently complied with in this case: findings more detailed and a definite finding of fair value, were not required under the circumstances. This is the first increase by the company in transportation rates since 1924. Unprecedented rider demand, due to peak employment in Philadelphia as well as gasoline rationing, reducing private transportation, made it possible for the company to earn an adequate return during the war years. But that era has passed and the city has not suggested any method of operation by which the company, at the old rates, could absorb the increased operating cost of the 1946 wage agreement, with the addition of any part of expense imposed by the 1947 labor contract. The Commission in effect found that a capitalization of the income available for return

under the new rates, at any reasonable rate, will be less than the fair value of the company's property. That finding is clearly supported by all of the evidence. Where rates are imposed on a utility by the Commission or where the Commission finds new rates to be unreasonable or in violation of law, a finding of fair value is essential. *Perkasie Sewer Co. v. Public Utility Commission* (1940) 142 Pa Super Ct 262, 38 PUR NS 403, 16 A2d 158. But the law does not require such finding in every case. A determination of fair value was not necessary or desirable here, for the Commission had sufficient evidence to act finally, without it. *Philadelphia v. Public Service Commission* (1924) 83 Pa Super Ct 8; *New Street Bridge Co. v. Public Service Commission*, 271 Pa 19, 38, PUR1922A 404, 114 Atl 378.

There was nothing superficial in the presentation of the city's complaint, or in the Commission's inquiry, nor the company's proofs in meeting the burden upon it of sustaining the new tariffs. The issues were thoroughly tried from every relevant viewpoint. And the Commission in its order indicates that it considered all competent testimony before it. The order discussed the company's evidence as to fair value; its estimates of accrued depreciation; its working capital requirements and its financial commitments on a new equipment and construction program as well as the evidence of operating costs. All items of revenue as well as of expense were fully established by the company and were not controverted. The Commission considered the evidence of value presented

## PHILADELPHIA v. PUBLIC UTILITY COMMISSION

by the city and evaluated it.<sup>1</sup> The Commission commented on the evidence of value adduced by its own witnesses and noted that it was a bring-down of testimony before us on a prior appeal. The Commission gave consideration to the rate of return. It found that the net annual income available for return after income taxes, will amount approximately to \$4,238,000 and noted: "This figure is equivalent to a return of . . . 6½ per cent on \$65,200,000." The opinion of the Commission concluded with this statement: "Based upon a consideration of all the elements of fair value submitted of record, and assuming that respondent's estimate of revenue to be expected from the proposed rates will be borne out by experience; and taking into consideration the fact that respondent's operating labor costs will be increased in excess of \$4,000,000, effective February 11, 1947, the Commission is of the opinion that the income available for return to be derived from the proposed rates will be within reasonable limits in relation to any finding of fair value which the Commission would be justified in making at this time. Accordingly, the Commission finds that the proposed rates are fair and reasonable and will permit them to become effective on February 5, 1947."

[5] The fact that there is some mi-

<sup>1</sup> Without implying estoppel, it is interesting to note the significance of the city's evidence bearing on fair value. The exhibit submitted by the city's engineer summarizes his contention that the value of the company's used and useful property is approximately \$75,000,000. This estimate represented the alleged original cost of construction or acquisition of the company's property, less purported depreciation reserves. The Commission in its opinion and order indicated that additions would have to be made to the estimate, in this language: "In reaching this over-all conclu-

nor variation in rates, particularly in zone fares applicable to suburban areas, does not invalidate the tariffs. The distance traveled in these areas determines the rate. A mere difference in transportation rates, such as this, between classes of travel, does not constitute unreasonable discrimination prohibited by the Public Utility Law, § 304, 66 PS § 1144. *Alpha Portland Cement Co. v. Public Service Commission* (1925) 84 Pa Super Ct 255. The discrimination in rates in the present tariffs was logical and was clearly reasonable and within "the flexible limit of judgment which belongs to the power to fix rates. . . ." *Atlantic Coast Line R. Co. v. North Carolina Corp. Commission* (1907) 206 US 1, 51 L ed 933, 27 S Ct 585, 594, 11 Ann Cas 398.

[6] This court's findings of fair value of the company's property made in the former appeal (*Philadelphia Transp. Co. v. Public Utility Commission* [1944] 155 Pa Super Ct 9, 55 PUR NS 473, 37 A2d 138) were admitted by the Commission in this case over the city's objection as "some evidence of value." The city is unduly sanguine in expecting us to admit error in that ruling. Cf. *Beever Valley Water Co. v. Public Utility Commission* (1940) 140 Pa Super Ct 297, 307, 35 PUR NS 119, 14 A2d 205. We cling to the illusion, if such it be,

sion, however, the city's witness deducted as depreciation a surplus reserve of \$3,600,000 which has no bearing whatever on the depreciation of respondent's property. It should also be pointed out that this value of \$75,000,000 does not include any allowance for working capital, cost of financing or additions embraced in the 1946-1947 property and equipment program aggregating \$18,870,000." With these additions, the valuation contended for by the city supports the allowed return under the new rates at a much lower rate of return than the Commission considered proper.



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that we dealt in that proceeding with questions which were not entirely moot and that our exercise was not wholly academic. However, in any view, this is clear: the Commission's staff in presenting evidence in its investigation ignored our former discussion. And the Commission in its opinion and order, in the investigation brought by it, did not consider it necessary "to decide whether the superior court's determination is binding and conclusive in this proceeding."

If our finding of value in the former appeal was one of the elements considered by the Commission it was not regarded as controlling in arriving at the present orders. The city was in no way affected by the ruling and therefore was not harmed.

The remaining contentions of appellant are captious and are wholly without merit. All of the evidence supports the conclusion that the proposed rates are just and reasonable.

Orders affirmed.

## LOUISIANA PUBLIC SERVICE COMMISSION

### Ex Parte Central Louisiana Electric Company, Incorporated

No. 4888, Order No. 4826  
May 7, 1948

**A**PPPLICATION for approval of adjustment clauses and penalty  
for slow payment; granted.

#### *Payment, § 53 — Penalty for delinquency.*

1. An electric utility may include in its rate schedules a provision for the addition of 10 per cent as a penalty when bills are not paid within ten days from the due date, p. 111.

#### *Rates, § 328 — Electric — Power factor.*

2. An electric utility was permitted to include, in its schedule of rates for cotton gin service, a provision for adjustment where a customer's power factor is less than .85 lagging, p. 111.

#### *Rates, § 303 — Fuel clauses.*

3. An electric utility was permitted to include, in its schedule of rates for cotton gin service, a provision for adjustment of charges when the price of natural gas or its equivalent to the utility should vary, p. 111.

#### *Rates, § 302 — Tax adjustment clause.*

4. An electric utility was permitted to include, in its schedule of rates for cotton gin service, a provision for an adjustment in case of tax increases or the imposition of new taxes, p. 111.

## EX PARTE CENTRAL LOUISIANA ELECTRIC CO.

By the COMMISSION: This is an application, filed with the Commission by Central Louisiana Electric Company for authority to amend its existing residential and commercial rate schedules and its rate schedule "PCG" Cotton Gin Service.

After due notice, this case was heard before the Commission at session held at Baton Rouge, Louisiana, on April 28, 1948, at which time no objections were made to this proposal.

The applicant has eight different rate schedules, covering residential and commercial light and power service, and reference in this order to residential and commercial rates shall be applicable to each of these eight schedules. The Cotton Gin Service schedule will be dealt with separately.

[1-4] The residential and commercial schedules heretofore in effect establish certain net rates. The bills are due and payable within ten days from the date thereof, after which they become delinquent. The applicant seeks authority to amend all of the various residential and commercial rate schedules so as to maintain the same basic rates but to add 10 per cent to the net bill if payment is not made before the delinquency date.

It is alleged by the applicant that its collection expenses have been abnormal and that by the adoption of the proposed method of billing, a saving of approximately \$7500 per annum will be effected.

The Commission's staff testified that the probable savings would not be sufficient to increase applicant's rate of return to an amount that would be considered excessive.

The Cotton Gin Service schedule heretofore in effect did not provide:

1. Gross and net billing as above described.

2. Billing adjustment for a lagging power factor.

3. Billing adjustment in the event of an increase or decrease in the cost of fuel to applicant.

4. Billing adjustment for increases in taxes or the imposition of new taxes.

Applicant seeks authority to amend its Cotton Gin Service rate schedule so as to include the above provisions with no change in the basic rates.

There is nothing unusual about the presence of clauses in rate schedules providing for a penalty for nonpayment of bills; and even though the applicant chooses to call the amendment by the term "gross and net billing," it is, in fact, a penalty of 10 per cent imposed on delinquents. Likewise, there is nothing unusual about the presence of power factor, fuel, and tax clauses in industrial contracts for electric service.

It is the opinion of the Commission that the revisions enumerated above, and as more fully set forth in the applicant's petition, will merely conform the schedules to those in effect for other similar utilities in general. It is, accordingly,

*Ordered*, that the eight rate schedules now in effect for residential and commercial light and power be amended under "Terms of Payment" to read as follows:

"The net monthly bill is due and payable each month on presentation. If not paid within ten days from date thereof, the gross monthly bill, which is the net monthly bill plus 10 per cent, applies."

It is *further*

*Ordered*, that the Cotton Gin Serv-

## LOUISIANA PUBLIC SERVICE COMMISSION

ice rate schedule shall be amended under the "Terms of Payment" to read substantially the same as the residential and commercial rate schedules, as set forth above; and it is *further*

*Ordered*, that clauses be added to the Cotton Gin Service schedule to provide for adjustments in billing in the event that (a) customer's power factor is less than 0.85 lagging, (b) the price of natural gas or its equivalent to applicant increases or decreases 5 mills or more per thousand cubic feet above or below a base price of 6 cents per thousand cubic feet, and (c) direct taxes or tax rates are increased after January 1, 1948. These clauses

are more fully set forth in applicant's petition; and it is *further*

*Ordered*, that no changes are authorized in any of the company's rate schedules except those enumerated herein; and it is *further*

*Ordered*, that each customer now using electric service under any of the rate schedules affected by this order be notified by circular letter at least thirty days in advance of the effective date of the amended rate schedules. This letter shall clearly set forth the proposed changes in the schedules, and it shall further state that no change is being made in the applicant's basic rates.

## MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

### Re Fairhaven Water Company

D.P.U. 8047  
May 10, 1948

**A**PPPLICATION for authority to increase water rates; denied.

*Return, § 22 — Matters considered — Return to utility — Finances of owner.*

1. The Commission, in passing upon an application for authority to increase water rates, must give attention solely to the question of a fair return to the water company and must ignore any relationship between the finances of the water company and a library which owns all the stock of the water company, p. 113.

*Return, § 115 — Water company.*

2. A water company's return of 5.55 per cent on plant less depreciation and 6.37 per cent on the common stock outstanding was deemed fair and equitable, p. 114.

*Rates, § 596 — Water company — Step rate.*

3. It is more practical for a water company to serve customers under a step rate type of schedule rather than under the more obsolete type of block rates, p. 114.

## RE FAIRHAVEN WATER CO.

APPEARANCES: Morris R. Brownell, for Fairhaven Water Company; Representative F. Eben Brown.

By the DEPARTMENT: This is an investigation by the Department on its own motion as to the propriety of the rates and charges for water as set forth in M.D.P.U. No. 2, effective January 1, 1948, and filed by the Fairhaven Water Company. Under date of January 23, 1948, the Department assigned the matter for public hearing on February 12, 1948. Upon request the hearing was further postponed and a new notice of hearing setting March 10, 1948, was mailed out from the Department.

At the hearing the company was represented by counsel and all parties present were given an opportunity to be heard.

On December 15, 1947, the Fairhaven Water Company through its treasurer filed with the Department a new schedule of rates and charges for water. The new schedule, identified as M.D.P.U. No. 2 canceling M.D.P.U. No. 1 and providing for increases in charges for water became effective January 1, 1948. It was estimated that the new schedule of rates would increase the company's revenue by approximately \$12,813 per annum. The schedule provides for charges based on "step rates" rather than the more obsolete type of block rates which had been in effect since 1922. The minimum charge per annum, billed semi-annually, was increased from \$15 to \$18 and the price per hundred cubic feet of water was also adjusted resulting in increases for consumption of water in excess of the minimum allowances.

The company serves 2,565 customers in Fairhaven and 30 customers in Mattapoisett.

The company submitted no prepared exhibits in support of its need for additional revenue either at the hearing or prior thereto.

The circumstances surrounding the establishment and operation of this well-managed water company are unique and for a complete understanding thereof should be, in our opinion, briefly reviewed here.

In 1888 the Fairhaven Water Company was incorporated by a special act of the legislature. The Millicent Library was given all the stock of the water company and that, together with an income from a trust fund deposited with the commonwealth (Chap 392, Acts of 1893), constitutes almost entirely the library's source of income. Under the provisions of the trust deed the library was to be administered by a self-perpetuating board of trustees and was never to be the occasion of expense to the town of Fairhaven. The town has never made an appropriation for the maintenance or upkeep of the library. It would appear that the water company's alleged need for relief through increased charges is occasioned more by the requirements of the Millicent Library than by any financial distress of the water company.

[1] The Department in considering this case must be guided by the provisions of the statute as set forth in §§ 2 and 94 of Chap 164 of the General Laws. It is our opinion that we are obligated to direct our attention solely to the question of a fair return to the water company and must ignore any relationship between the finances of the water company and the Mil-

## MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

licent Library. It appears that the financial condition of the library is a matter beyond the scope of our authority and the remedy for this situation is not in our power to consider in a proceeding of this nature.

[2] At the hearing on March 10, 1948, the annual returns of the company on file with the Department for the past five years were incorporated as part of the record. These returns show that the total operating revenues of the company increased from \$59,469 in 1941 to \$73,061 in 1947. During the same years the operating expenses of the company including depreciation increased from \$33,357 in 1941 to \$45,482 in 1947. It will be noted therefore that during the years in question the ratio between revenue and expense was maintained fairly constant. From the returns of the company on file with the Department it is shown that between the years 1941 and 1947 the company has realized a

5.55 per cent average return on plant less depreciation and a 6.37 per cent average return on the common stock outstanding. It would therefore appear that the return to the company prior to the increase in charges has been fair and equitable. We fail to see that the company's financial position would be impaired by a reinstatement of the former rates and charges in effect prior to January 1, 1948.

[3] We suggest that the company give some thought to a study and review of the type of rate applicable to its customers. In our opinion it would be more practical to serve customers under a "step rate" type of schedule rather than under the more obsolete type of "block" rates. This study should be conducted with the thought in mind of a rate revision designed to permit the company no increase in revenue but merely to improve its form of schedule.

## PENNSYLVANIA PUBLIC UTILITY COMMISSION

### City of Pittsburgh

v.

### Duquesne Light Company

Complaint Docket No. 14157  
May 11, 1948

**C**OMPLAINT requesting Commission to fix reasonable electric rates for street lighting purposes; optional rate prescribed.

*Rates, § 87 — Jurisdiction of Commission — Electric street lighting — Breakdown of package rates.*

1. The Commission has jurisdiction to prescribe proper service classifications, to break down a combination "package rate" (covering not only elec-



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tric current, but also use and rental of street lighting facilities and their maintenance), and to order an electric company to break down an existing rate into its several component parts, p. 117.

### *Rates, § 78 — Jurisdiction of Commission — Proposed service — Street lighting contract.*

2. The Commission can and should impose a reasonable rate in the first instance for street lighting service before a city enters into a contract with a public utility company for that service, since a consumer should not be required by law to enter into a contract and pay an exorbitant rate before he is allowed to test its reasonableness, p. 117.

### *Rates, § 120 — Reasonableness — Statutory requirements.*

3. The Commission is required by statute to recognize the fundamental requirement that rates and classifications of service must be just and reasonable, and the obligation of the utility to charge a just and reasonable rate cannot be avoided, p. 118.

### *Rates, § 362 — Electric street lighting.*

4. A determination of the load and energy requirements of an electric street lighting system by assessment of the individual lamp loads, in so far as a demand determination is concerned, and multiplication of that value by the burning hours would provide a practicable estimated basis for street lighting rates, if due allowances are made for certain circuit conditions such as transformer efficiencies, line losses, and power factor, and provided the resulting determination of energy and demand is related back to the company's input circuits at the constant current regulators in the substations or at the company's pole type regulators on its city-wide distribution system, p. 120.

### *Rates, § 328 — Power factor — Electric street lighting.*

5. A power factor of not less than 85 per cent was used, although the utility used a circuit efficiency of 85 per cent and a power factor of 72 per cent while the municipality contended for a power factor of 100 per cent, to determine the cost of street lighting service, p. 121.

### *Rates, § 362 — Street lighting — Classification of rates.*

6. Street lighting loads should not be classified as off peak or on peak but should be considered as a base load, having necessity characteristics which occur within a narrow range of hours scheduled in advance with constant demand and energy requirements, p. 122.

By the COMMISSION: This is a complaint proceeding by the city of Pittsburgh against Duquesne Light Company, respondent, requesting the Commission to fix and determine a reasonable rate for electric energy for street lighting purposes, to be supplied under conditions constituting a new classification of service.

For many years and at present the street lighting system of Pittsburgh, comprising approximately 20,000

lights scattered over the city's 1,300 miles of streets, boulevards, alleys, parks, tunnels, and bridges has been owned, maintained, inspected, replaced, serviced, and energized by the respondent under its Rate "S," in its published Tariff Electric-Pa. P.U.C. No. 9. Rate "S" provides a comprehensive and complete street lighting service and in recent years service thereunder has cost complainant approximately \$720,000 annually.

## PENNSYLVANIA PUBLIC UTILITY COMMISSION

Complainant proposes to discontinue taking service under Rate "S" and in its place obtain its street lighting under three separate types of service, hereinafter more particularly described and referred to as contracts Nos. 1, 2, and 3. Under this plan, it is complainant's intention of eventually owning the street lighting fixtures and directly associated facilities and limiting its requirements from respondent to the purchase of electric energy and the rental of the interconnecting circuits including conduit, cable, junction boxes and line sections.

The enabling legislation for this program and the method adopted by complainant to carry it out are as follows:

The act of March 7, 1901, PL 20, authorizes and empowers the complainant, a second-class city, to enact ordinances to provide for and regulate the lighting of its streets, to exercise its exclusive right to supply the city with gas or other light; to make, erect, and maintain the necessary buildings, machinery, and apparatus for manufacturing and distributing the same; or to authorize any person or company to do so for any length of time not exceeding ten years.

By an enabling ordinance enacted April 8, 1946, the city council authorized the mayor and the director of the city department of public works to advertise for proposals, award and enter into contracts for a term of ten years for the sale to complainant of electric energy for lights on streets and other public thoroughfares and places and rental to complainant of conduit, cable, junction boxes, and line sections; for furnishing, installing, removing, relocating for and selling to

complainant all electrical equipment necessary for lighting streets and other public thoroughfares and places in the city; and for servicing and maintenance of said equipment and for nightly inspection and replacement of lamps and sale of lamps to complainant. Subsequently, complainant having completed plans and specifications for acquiring ownership, over a 10-year period, of a new street lighting system to be installed and maintained by the lowest responsible bidders, solicited bids on the following three separate 10-year contracts:

"Contract No. 1—For the supply of suitable electric current to energize the new street lighting system, comprising approximately 20,000 street lights which will consume about 1,500,000 kilowatt hours of electric energy per month."

"Contract No. 2—For the installation and sale to the city of such new street lighting system, including fixtures, brackets, ornamental poles, and other equipment."

"Contract No. 3—For the maintenance of such street lighting system, including nightly inspection and replacement of lamps."

Bids were received by complainant on all contracts excepting Contract No. 1. The respondent, being the only public utility lawfully entitled to furnish the service comprehended by Contract No. 1, did not accept the invitation to bid for the expressed reason that it could not submit an intelligent bid on the specifications as contained in contract No. 1. Accordingly, it made a counter-offer on July 15, 1946, based upon 11 conditions of service not included in the original specifications of the contract, to furnish electric en-

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ergy to complainant for street lighting purposes at a net rate of 2.5 cents per kilowatt hour. Practically everything concerning respondent's counter proposal was acceptable to complainant except the rate of 2.5 cents per kilowatt hours, which it considers excessive; hence, it instituted this proceeding on August 1, 1946, requesting, *inter alia*, that the Commission fix the rate.

The salient requests raised by the complainant are:

(1) (a) That the Commission order respondent to furnish complainant with service comprehended by Contract No. 1, as amended by the conditions of service of the counter-offer; and

(b) at a reasonable rate to be fixed by the Commission; and

(2) That the respondent be directed by us to file tariffs showing rates established, enforced, collected, or to be collected by it for energy supplied for street lighting purposes, separate and apart from charges for use and rental of facilities or for any other street lighting service.

Hearings were held on the instant complaint and a voluminous record compiled.

In this proceeding, complainant requests a new classification of service and that a rate be fixed for such classification. The respondent has offered to provide the service at the rate of 2.5 cents per kilowatt hour.

It is apparent that complainant in its effort to reduce its costs for street lighting and to acquire an entirely new street lighting system seeks to discontinue taking a "package rate" service under Rate "S," and to replace it with the three set contracts, contracts Nos. 1, 2, and 3, *supra*. This will re-

sult in two of the services being put on a competitive basis. By such new arrangement, the service furnished complainant by respondent will be limited substantially to the supply of electric energy as described by Contract No. 1. The respondent offered to supply electric energy to meet the complainant's requirements as provided by Contract No. 1, as amended by its counter-proposals.

Under proposed Contract No. 1, the respondent is left with the responsibility substantially of continuing to service the street lighting system with energy through its present substations and circuits to the lighting facilities. No additional service will be required. Actually, since the respondent did not bid on contracts Nos. 2 and 3, there is a reduction or elimination of certain services and facilities heretofore furnished by the company.

[1] The Commission has the jurisdiction and authority to prescribe proper service classifications, to break down a combination "package rate," and to order the respondent to break down an existing rate into its several component parts.

[2] The complainant has made extensive plans and preparations by advertising, receiving bids, and preparing for the letting of the three proposed contracts. It apparently has taken necessary action to implement the new street lighting program. Respondent has offered to supply street lighting energy as requested by the city under its counter-proposals. Even if the respondent has made its offer to supply energy for street lighting service, certainly a consumer should not be required by the law to enter into a contract and pay an exorbitant rate

## PENNSYLVANIA PUBLIC UTILITY COMMISSION

before he is allowed to test the reasonableness thereof. To expect the parties to engage in a devious route, before the Commission can act in setting the proper rates, is unreasonable and untenable. Equity does not require that a vain thing be done. The Commission in its administrative function seeks to do equity. It is obvious that the Commission could and should logically impose a reasonable rate in the first instance.

[3] We will now consider the scope of the Commission's jurisdiction and authority. The complainant contends that under the Public Utility Law the Commission has jurisdiction and authority to require the filing of a separate rate for energy alone and that this Commission may prescribe the rates to be charged. In this connection the following sections may be quoted. Section 301 (66 PS § 1141) reads in part as follows: "Section 301. Rates to Be Just and Reasonable.—Every rate made, demanded, or received by any public utility, . . . shall be just and reasonable, and in conformity with regulations or orders of the Commission: . . ."

Section 304 (66 PS § 1144) reads in part as follows: "Section 304. Discrimination in Rates.—No public utility shall, as to rates, make or grant any unreasonable preference or advantage to any person, corporation, or municipal corporation, or subject any person, corporation, or municipal corporation to any unreasonable prejudice or disadvantage. . . ."

Section 309 (66 PS § 1149) provides in part as follows: "Section 309. Rates Fixed on Complaint.—Whenever the Commission, after reasonable notice and hearing, upon its own mo-

tion or upon complaint, finds that the existing rates of any public utility for any service are unjust, unreasonable, or in anywise in violation of any provision of law, the Commission shall determine the just and reasonable rates (including maximum or minimum rates) to be thereafter observed and in force, and shall fix the same by order to be served upon the public utility. . . ."

Section 412 (66 PS § 1182) provides in part as follows: "Section 412. Standards of Service and Facilities.—The Commission may, after reasonable notice and hearing, upon its own motion or upon complaint, prescribe as to service and facilities, including the crossing of facilities, just and reasonable standards, classifications, regulations, and practices to be furnished, imposed, observed, and followed by any or all public utilities; . . ."

Section 413 (66 PS § 1183) provides as follows: "Section 413. Proper Service and Facilities Established on Complaint.—Whenever the Commission, after reasonable notice and hearing, upon its own motion or upon complaint, finds that the service or facilities of any public utility are unreasonable, unsafe, inadequate, insufficient, or unreasonably discriminatory, or otherwise in violation of this act, the Commission shall determine and prescribe, by regulation or order the reasonable, safe, adequate, sufficient service or facilities to be observed, furnished, enforced, or employed, including all such repairs, changes, alterations, extensions, substitutions, or improvements in facilities as shall be reasonably necessary and proper for the safety, accommodation, and conven-

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ience of the public, and shall fix the same by its order or regulation."

In addition to the express powers enumerated by the act vested in the Commission, the act further, recognizing equitable principles (enumeration excludes implication) specifically provides that the enumeration of powers by the Public Utility Law shall not exclude implication but that its powers shall be in addition to those not expressly enumerated but arising reasonably from its general administrative function and the specific provisions thereof arising out of the act. Section 901 of the act provides in part as follows:

"Section 901. Administrative Authority of Commission; Regulation.—The Commission shall have general administrative power and authority to supervise and regulate all public utilities . . . within this commonwealth. The Commission may make such regulations, . . . as may be necessary or proper . . . for the performance of its duties . . ."

Section 902 provides in part as follows:

"Section 902. Commission to Enforce Act. In addition to any powers hereinbefore expressly enumerated . . . the Commission shall have full power . . . to . . . carry out . . . the provisions of this act, and the full intent thereof; . . . and . . . to rescind or modify any such regulations or orders. The express enumeration of the powers of the Commission in this act shall not exclude any power which the Commission would otherwise have under . . . this act."

Section 920 provides in part as follows:

"Section 920. Contracts; Power of the Commission to Vary, Reform or Revise.—The Commission shall have power and authority to vary, reform, or revise, upon a fair, reasonable, and equitable basis, any obligations, terms, or conditions of any contract . . . between any public utility and any . . . municipal corporation, which embrace or concern a public right, benefit, privilege, duty, or franchise, or the grant thereof, or are otherwise affected or concerned with the public interest and the general well-being of the commonwealth.

"Whenever the Commission shall determine, after reasonable notice and hearing, upon its own motion or upon complaint, that any such obligations, terms, or conditions are unjust, unreasonable, inequitable, or otherwise contrary or adverse to the public interest and the general well-being of the commonwealth, the Commission shall determine and prescribe, by findings and order, the just, reasonable, and equitable . . . conditions of such contract. . . ."

The statute requires, of course, that we recognize the fundamental requirement that the rates and classifications of service charged and received by utilities must be just and reasonable. The obligation of respondent to charge a just and reasonable rate cannot be avoided. Under Rate "S" respondent receives compensation for street lighting energy. Section 301 requires that this, as well as other rates, must be just and reasonable and the Commission must necessarily have adequate authority to adopt appropriate orders enforcing the obligations of the respondent to receive and demand only a just and reasonable rate.



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Moreover, the record before us shows that respondent has had a full hearing on this very issue. It has presented testimony in response to the fact that this issue was raised by complainant. To assert that the Commission, after a full hearing, cannot now adopt an appropriate order for the purpose of enforcing the obligation of respondent to charge and receive no more than a just and reasonable rate for energy alone would nullify the authority and function of this Commission.

We will undertake to describe briefly the nature of the physical facilities involved in the present Pittsburgh street lighting system and we will examine the application of respondent's Rate "S" to complainant's existing street lighting requirements.

Respondent operates 17 substations in the city of Pittsburgh from which electric energy is distributed by means of 227 separate circuits to the various series street lighting systems comprising some 20,000 street lights. This entire system from the substation to the individual lamps is now wholly owned, operated, and maintained by respondent, which provides complainant with a complete street lighting service at separate monthly charges under Rate "S" aggregating, during the month of April, 1946, the following:

Lamps .....	\$44,386.80
Fixtures .....	12,421.10
Brackets .....	3,124.15
Poles .....	1,352.05
Conduit .....	2,388.33

Total Gross Bill ..... \$63,672.43

The above gross amount for street lighting service involved 19,912 street lights and was subject to certain credits for outages, and discounts for vol-

ume and stability and prompt payment resulting in a net bill of \$59,955.13.

Complainant desires to eliminate a portion of the above monthly charges and requests respondent to furnish only a portion of the present service, at a specified rate per kilowatt hours. The obligations of respondent, as desired by the city, under this new proposed service classification, designated as Contract No. 1, are summed up in the record by complainant's witness as follows:

- (1) Furnish electric energy (7.5 amperes constant current series service).
- (2) Turn lights on and off according to a prescribed schedule.
- (3) Furnish, operate, and maintain at the fixed monthly charges of Rate "S" the following facilities:
  - (a) Conduit, in place
  - (b) Lead covered cable, in place
  - (c) Standard junction boxes, in place
  - (d) Line sections, in place

From the foregoing analysis of the requirements contemplated under Contract No. 1, it becomes apparent that complainant seeks to acquire ownership and operating responsibility only for that part of the present street lighting system which involves the lamps, fixtures, and directly associated facilities, including the inspection and replacement thereof, but it does not seek to acquire a complete system which comprises the interconnecting circuits, poles, cable, conduit and junction boxes, nor such other distribution circuits as are necessary to supply constant current energy from respondent's facilities.

[4] By virtue of Contract No. 1, complainant plans to eliminate the

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monthly charges prescribed under Rate "S" for lamps (except the component thereof representing cost of energy), fixtures and brackets and plans to continue paying a monthly charge for such facilities as conduit, cable, junction boxes, line sections and associated facilities, including the inspection and replacement thereof. A reasonable interpretation of Contract No. 1 presumes that respondent will continue to furnish, operate and maintain its constant current regulators and switching equipment together with the distribution circuits utilized in delivering constant current energy from its substations and pole type regulators to the termini of the several series street lighting loops. Complainant's proposal as set forth in Contract No. 1 does not contemplate any material change in respondent's existing street lighting supply circuits, such as the segregation of circuits supplying lights within the city from the circuits serving lights in adjacent municipalities, and no accurate metering of the demand or energy required by complainant is practicable. Therefore, respondent would be required to determine the load and energy requirements of the Pittsburgh street lighting system by assessment of the individual lamp loads in so far as a demand determination is concerned, which value, multiplied by the burning hours specified by the city (approximately 4,000 hours annually) would provide an approximation of the city's kilowatt-hour consumption. It is our opinion that such an estimated basis is practicable if due allowances are made for certain circuit conditions such as transformer efficiencies, line losses, power factor and provided the resulting determination

of energy and demand is related back to respondent's input circuits at the constant current regulators in the substations or at the respondent's pole type regulators on its city-wide distribution system.

[5] In determining the extent of complainant's requirements on respondent's system both for energy and load, respondent has developed of record data based on individual lamp ratings, circuit efficiencies and power factor and has related these data to the individual substations, segregating the Pittsburgh street lighting load from the street lighting load outside the city. By utilizing the separate energy and demand determinations for each point of supply, respondent has applied its Rate "W" and computed an average cost per kilowatt-hour at the substation and at the pole type regulator. Respondent's Exhibit No. 24 shows that the estimated charge for delivering 20,984,808 kilowatt-hours per year is \$254,553, or an average over-all charge of 1.213 cents per kilowatt hour. Respondent's calculation of this figure utilizes a circuit efficiency of 85 per cent and a power factor of 72 per cent, whereas complainant's witness contends that the value of power factor used should have been 100 per cent. In our opinion for all practical purposes, the value for system power factor should not be less than 85 per cent. Therefore, respondent's computations as set forth in Exhibit No. 24 should be revised to recognize a power factor of not less than 85 per cent which would serve to reduce the over-all average charge per kilowatt-hour to somewhat less than respondent's figure of 1.213 cents.

Respondent's Exhibit No. 24 ac-

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cepts Rate "W" and Rider No. 2 (discount for untransformed 4,000-volt service) as a measure of the cost of delivering energy into the constant current regulators at the substations or into the pole type regulator installations and from these points of supply, respondent considers that the cost of all subsequent series distribution facilities which are exclusively used in street lighting service must be included in the development of an energy rate for street lighting. Rate "W" with Rider No. 2 contemplates the delivery of 4,000-volt energy at any point in respondent's system, whether that point is next door to a substation or miles away. In other words, the charge to a customer served under Rate "W" with Rider 2 remains the same regardless of the customer's location provided he receives untransformed 4,000-volt service and does not require respondent to make an investment in secondary facilities.

In developing an approximation of the level of an energy rate for the Pittsburgh street lighting system, respondent presented a substantial amount of testimony with exhibits purporting to show that a rate level of 2.82 cents per kilowatt-hour would be reasonable for the service contemplated under Contract No. 1. In developing this figure, respondent used its estimated average over-all cost of delivering energy on the input side of the constant current regulator of 1.213 cents per kilowatt-hour and adds thereto, through apportionments and allocations certain items of operating expense, return on investment, retirement accruals, and taxes, all of which, according to respondent's testimony, are properly chargeable against the

Pittsburgh street lighting system. Respondent's estimates of plant investment assignable to series street lighting service supplied to complainant are based on original cost at December 31, 1945.

We cannot accept such a method of arriving at the level for the energy rate in question. Respondent's estimated over-all average rate of 1.213 cents per kilowatt-hour, is in our opinion subject to a downward adjustment for a system power factor of 85 per cent which we believe to be reasonable.

[6] Respondent and complainant take opposite positions as to whether energy for street lighting constitutes an off-peak or on-peak load. In our opinion, street lighting load should not be so classified but should be considered as a base load, having necessity characteristics which occur within a narrow range of hours scheduled in advance with constant demand and energy requirements. Such a load finds itself at the bottom of the utility's load chart plotted thereon for years in advance with little variation as to size and duration. If this type of base load should occur at a time of the utility's system peak, such peak cannot be considered as caused by street lighting load. Street lighting consumers cannot be accorded an inducement to utilize off-peak hours for such a load cannot be changed as to duration or occurrence.

We have given the record in this proceeding a very considerable amount of attention because it involves the establishment of an energy rate for street lighting rather than arriving at street lighting costs on a flat monthly lamp charge basis.

In this order we could continue a

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lengthy discussion of respondent's rental charges for conduit, cable, junction boxes, line sections, and insulating transformers as well as the practical implications of complainant's requirement that respondent turn the street lights on and off. Many of these problems are ones that can be worked out between the parties. Some of these problems involve operating prerogatives of respondent and as such are not a proper subject in this order. Others are directly concerned with the amount of charge or the components thereof, but nevertheless are incidental to the issues of the proceeding.

In view of the foregoing, we will order that respondent establish an optional rate available to the city of Pittsburgh for the supply of electric energy for street lighting where the city provides the lighting fixtures and directly associated facilities, and, provides by rental or otherwise, the interconnecting circuits, conduit, cable, junction boxes, individual lamp transformers, line sections, etc., and the utility furnishes energy at one or more central points. We will further order that respondent establish a charge for energy for street lighting based on the billing terms of Rate "W" and Rider No. 2 for all series street lights and Rates "C", "V", or "W" as applicable for multiple street lights. Such optional rate would be subject to the following special provisions:

### 1. *Series Street Lights*

(a) *Availability* — This schedule applies to the supply of alternating current series, street lighting energy delivered at the street lighting fixtures,

at 7.5 amperes unless otherwise agreed upon.

### (b) *Determination of Energy and Connected Load for Billing Purposes*

The energy delivered on the primary side of the substation or pole-type constant current transformers and the connected load thereon will be determined for each location by taking the rated wattage of all lamps connected, subject to the rated efficiency of their individual transformers, if any, and subject to values of circuit efficiency of 85 per cent and power factor of 85 per cent.

### 2. *Multiple Street Lights*

(a) *Availability* — This schedule applies to the supply of alternating current, multiple street lighting energy delivered to the street lighting fixtures at 115/230 volts unless otherwise agreed upon. The quantity of such energy will be determined for each location from the rated wattage of all lamps connected subject to a value of circuit efficiency of 95 per cent.

After a consideration of all matters of record and the above findings and conclusions, we determine that it is in the public interest and the general well-being that respondent file an optional rate as provided herein for the supply of energy to complainant for street lighting purposes.

Commissioner HOUCK concurs on the ground that Duquesne Light Company, by its action in this case, waived any objection to the determination by the Commission of a reasonable rate for this service which is being established by this order.

## Re Public Service Corporation of Texas

Gas Utilities Docket No. 191  
March 11, 1948

**A**PPPLICATION for authority to discontinue natural gas service and abandon lines serving a city and surrounding rural users; denied and proceedings kept open.

**Service, § 223 — Abandonment — Contract expiration.**

A public utility owning and operating a network of natural gas pipe lines should not be authorized to discontinue service which it has rendered under a contract to a distributing utility at city limits even though the contract has expired, if it is not shown that a new source of supply can be made available.

**APPEARANCES:** I. E. Horwitz with Counsel Henry Simon, both of Ft. Worth, for the Public Service Corporation; Dallas George, for Miami Gas Company; W. L. Russel, Mayor of Miami, for the City of Miami; Clayton Heare, of Amarillo, Counsel for Miami Gas Company, and city of Miami; C. J. Humphrey of Amarillo, Counsel for rural users; Ivey Duncan, D. G. Sims, Ernest Lee, Grady W. Harris, all rural users; S. C. McIntosh, D. W. Henderson, John C. Phillips, and Elton Hyder, Assistant Attorney General, for the Commission.

By the COMMISSION: The Public Service Corporation of Texas with principal offices in Fort Worth, Texas, hereinafter referred to as the Utility, is a public utility by authority of Article 6050 VACS 1925, and presently owns and operates a network of some 505 miles of 3-inch equivalent pipe (including all pipe in place for both transmission and distribution systems) in Texas and Oklahoma, in-

cluding six distribution systems in Texas and three in Oklahoma, wherein they furnish natural gas for both domestic and industrial use for a number of cities, communities, and rural users in the Texas Panhandle and in a part of Oklahoma. The greater portion of the Utility's business is in Texas.

In May, 1928, a contract was entered into by the Mobeetie Gas Company, a corporation, and D. I. Barnett, Dallas George, and Fred Cook, whereby the Mobeetie Gas Company agreed with the other parties to furnish gas to the city limits of Miami, Roberts county, Texas, for a period of twenty years from and after the date of said contract, the individuals named having obtained a franchise from the city of Miami to furnish gas to consumers within the city limits of Miami.

By assignment, the Public Service Corporation of Texas became the successor of the Mobeetie Gas Company, and the Miami Gas Company became



## RE PUBLIC SERVICE CORPORATION

the successor of the individuals, D. I. Barnett, Dallas George and Fred Cook.

The gas transmission line involved in this case is the line that was constructed by the Mobeetie Gas Company from a point near a village that is now called Magic City, at which point there is a source of supply of gas in the form of gas wells, said line running in a general northwesterly direction through the villages of Mobeetie, Laketon, and on to the city gate of Miami, comprising in all some 42 miles of 4-inch O. D. pipe. This is the line that is presently owned by the Public Service Corporation by virtue of the transaction set out above. There is no controversy as to the continuance of service to Mobeetie as the Public Service Corporation has comparatively recently constructed a transmission line extending into north Texas paralleling the line in question some few miles to the east from which line they plan to continue to service Mobeetie. Along the line sought to be abandoned there are somewhere between thirty and fifty rural users which includes the village of Laketon which has no separate distribution system. The city of Miami has a population of some 713 people of which there are approximately 208 domestic users and two commercial.

On September 23, 1947, the Public Service Corporation filed a petition with this Commission to the effect that the above-mentioned 20-year contract between it and the Miami Gas Company was expiring according to its own terms on May 31, 1948, and that the Public Service Corporation did not wish to renew said contract. The petition stated further that it had given such notice in writing to both the Mi-

ami Gas Company and to the city of Miami and also gave notice to each of the rural consumers served by it. In conclusion, the petition asked that the Commission set a date for hearing as is provided by statute having notified all interested parties thereof, and that after said hearing, the Commission enter an order authorizing the Public Service Corporation to discontinue service to the city of Miami and the surrounding rural users on the expiration date of the contract mentioned above. Should this petition be granted, it appears that the Utility would remove the above-mentioned line from Magic City to the gate at Miami.

The Commission having determined that it has jurisdiction over any attempted or contemplated discontinuance of service by a gas public utility in this state by virtue of Articles 6050 through 6058 VACS, 1925, notified all interested parties on October 2, 1947, that a hearing would be held at the Tribune building, Austin, Texas, on the 24th day of October, further stating in said notice that the subject matter of the hearing would be the question of discontinuance of service on the part of the Public Service Corporation due to the expiration of the above-mentioned contract. In addition to sending said notice of hearing to the Miami Gas Company and to the proper officials of the city of Miami, notice was sent to each and every rural customer of the Utility. Due to the fact that October 24th proved to be an inconvenient time for some of the parties to be present at the hearing, the date was re-set for November 14, 1948, and this second notice was sent to all of the parties out-lined above. Consequently, on November 14, 1948,

## TEXAS RAILROAD COMMISSION

all interested parties appeared at the hearing in Austin, where testimony was presented before the Commission.

### *Findings of Fact*

From a review of the testimony elicited at the hearing mentioned above it is at once apparent that the utility presented no issues as to any unreasonable loss of revenue due to the service rendered by the system in question; consequently there was no issue as to confiscation of property, nor was there any issue as to the inability of the utility to secure and furnish the necessary gas for the system. In fact it was admitted by I. E. Horwitz, the Secretary and General Manager of the Utility and its sole witness at the hearing, that the Utility had plenty of gas for the system. True, the Utility claimed that the line involved was in bad condition and that there was an approximately 50 per cent line loss, however, the Utility failed to present any actual computation of line loss at the hearing, and failed to present any other expert testimony as to the line loss or as to the condition of the pipe involved other than the statements to this effect by Horwitz who failed to testify as to his method of ascertaining the amount of line loss or the condition of the pipe line in the system.

On the other hand, there was considerable testimony on the part of the Miami Gas Company, through its general manager Dallas George, that the pipe line involved was generally in good condition and that the line loss involved was no more than normal under the circumstances and that the line could be maintained in good, usable condition through prudent maintenance. George's testimony was cor-

roborated in detail by the city of Miami and a number of rural users along the line. The testimony of the rural users who had walked various portions of the line that ran through their property was to the effect that they could not detect any leakage whatever. These users could not qualify as gas experts, however, they had all lived in the panhandle country for most of their lives and it seems to be a matter of common knowledge in this part of the country that leaking gas from a line causes the vegetation in the vicinity of the leak to turn black and die. There was evidence that from time to time there had been leaks in the line as evidenced by the surrounding vegetation, however, that the leaks had been repaired immediately as soon as they had been detected and the Utility notified as to their location. From the testimony given as to the condition of the pipe and the line loss therefrom, the Commission finds that the condition of the pipe is fair to good and that the line can be kept in good, usable condition through proper maintenance.

Since the Utility maintains that their service contract with the Miami Gas Company expires in May, 1948, and since there is no contractual obligation between them and the rural users that would force them to continue, and since they desire to discontinue service and remove their lines, there was testimony as to the present availability of pipe on the open market and sources of supply of available gas reserves in the vicinity of Miami. It was agreed by all parties concerned that new pipe was completely unavailable for the next two to five years, however, the Utility maintained that

## RE PUBLIC SERVICE CORPORATION

secondhand pipe in good, usable condition was available to anyone who would make sufficient effort to secure it by contracting the various supply houses in Texas and elsewhere, and by purchasing what supply the various dealers might have available at the time. The Miami Gas Company offered several letters in evidence and entered them as exhibits, the letters being from several different supply houses stating that new pipe was unavailable. Dallas George further testified in behalf of the Miami Gas Company, that both he and D. I. Barnett, the president of the Miami Gas Company, had been making inquiries of secondhand pipe dealers in and around the Miami area and had not been able to locate pipe of suitable condition or quantity with which to construct a line of their own to an available source of supply.

In addition to the testimony concerning the availability of pipe, a controversy arose as to the nearness of a source of supply of gas to the city of Miami that the Miami Gas Company could utilize granting that they were able to secure the necessary pipe with which to make a connection. The only testimony as to the availability of a source of supply of gas was given by I. E. Horwitz who stated that he had had a telephone conversation with a Mr. Garman who is allegedly the manager of the Texas Gas & Power Corporation, operating out of the Panhandle Gas Field near Pampa, Texas. According to Horwitz, Garman had told him that his company could furnish the city of Miami with gas at a point approximately 15 miles from Miami. The availability of a source of supply of gas in the form of a gas

well 15 miles from Miami was sharply disputed by the Miami Gas Company, the city of Miami and some of the rural users. It seems that there are no available sources in the form of gas wells within a 15-mile radius from Miami; however, one of the gas lines of the Texas Gas & Power Corporation passes within 15 miles of the city, and it seems possible that should the Texas Gas & Power Corporation agree to furnish gas to Miami, a possible source could be obtained at this point. No representative of the Texas Gas & Power Corporation, or anyone else with detailed knowledge as to the possibilities of a contract between the Texas Gas & Power Corporation and the Miami Gas Company or the city of Miami, testified. It was agreed, however, that should a source of gas be found in an approximate radius of Miami, either the city or the Miami Gas Company would have to construct their own transmission line to this point.

The Commission finds that there is a possible source of gas supply in a radius of approximately 15 miles from Miami; however, there was an insufficiency of evidence presented to find whether or not the city or the Miami Gas Company could obtain sufficient gas through contract negotiations even though the supply is present. As to the availability of pipe, should the source of supply of gas be available, the Commission finds that new pipe is unobtainable for the next two to five years, and that suitable secondhand pipe is scarce at best. The Commission further finds that due to the scarcity of secondhand pipe, it would be impossible to ascertain any definite time with which it would be possible

## TEXAS RAILROAD COMMISSION

for any given individual or company to secure fifteen miles of pipe which would be suitable for a gas transmission line.

As stated in its petition for discontinuance of service, the Utility chose to stand on the issue of the expiration of its contract of service with the Miami Gas Company. As summed up by counsel for the Utility in his opening statement at the hearing, "We contend we had a contract with the people who are serving the consumers in the city of Miami to furnish gas for twenty years. Those twenty years are expiring and although a public utility, we are not different from other parties; we are bound by the contract and only by the contract, and we have a right to discontinue the distribution of this gas at a date when we have no longer a contractual obligation or bond, subject only—we say this because we think this is the issue—subject only to require us to continue to furnish gas for a reasonable time, until such time as they can make other arrangements, if such arrangements are possible."

While it is not the prerogative of this Commission to determine the contractual rights of the parties under the law which is the province of a court at law, since the Utility involved herein has set itself up to serve the public as a public utility, this Commission feels duly bound, under the law, to inquire into the relationship between the Utility and the public it serves, to see that adequate service of

the type involved is guaranteed. Title 102, Articles 6050 et seq. VACS, 1925.

### ORDER

In the above numbered and entitled cause, the Commission having considered the evidence presented by all parties at interest pertaining to the matter and things therein concerned, and having made findings of fact and filed its opinion in writing, said opinion being hereby made a part of this order,

It is *ordered* by the Commission that the application of the Public Service Corporation for a discontinuance of service in furnishing natural gas to the city of Miami and the adjoining rural users at the expiration of the contract involved herein, is hereby denied until such time as it can reasonably be shown by the Public Service Corporation that a new source of supply of gas, and pipe for securing same, can be made available to the city of Miami within a certain designated period of time so that any doubt whatsoever as to the city of Miami's receiving adequate gas service will be removed.

It is *further ordered* that this cause shall be kept open for such further orders as may be necessary, and that the gas service presently being rendered the city of Miami and the rural users being serviced by the said Public Service Corporation on their gas transmission line from Magic City to the city gate of Miami, be continued and shall not be changed except on application to, and approval by this Commission.



# Industrial Progress

*A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.*



## R-R Offers Low-cost Catalog Binder

To meet the special needs of many businesses for a small capacity, low-cost catalog binder that would offer the convenience of flat reference and easy sheet changes, yet provide maximum security for contents, Remington Rand has developed a new line of binders known as "Ring-Slide," available in a full-range of sizes and durable materials.

A new folder "Try This For Size" (LL 149A) describing the advantages of the new binder line is now available on request from the Systems Division, Remington Rand Inc., 315 Fourth avenue, New York 10, New York.

## Turco Storm King Steam Cleaner

TURCO PRODUCTS, INC. of Los Angeles, Chicago, and Houston announce a wide selection of models of the Turco Storm King steam cleaner. Available for natural gas, manufactured gas, or oil heating, it may be procured for stationary, portable, or trailer use.

Designed for speedy, efficient, and economical cleaning, the Storm King provides a choice of steam cleaning, utilizing 180 gallons of water per hour, or high pressure kinsing, utilizing 240 gallons of water per hour. Pressure of 150 pounds is maintained for either operation.

For further details or demonstration write Turco Products, Inc., 6135 South Central avenue, Los Angeles.

## Merit Award Entries Expected To Exceed Last Year's

REQUESTS for entry applications for the Merit Award Competition are coming in at a rapid rate, according to R. M. Bradley, chairman of the Merit Award Committee of the Third International Lighting Exposition, sponsored by Industrial and Commercial Lighting Equipment Section of National Electrical Manufacturers Association. It is expected that number of entrants will exceed last year's.

Those who wish to enter the Merit Award Competition are asked to write for the new official rules booklet, the back cover of which forms the official entry application. Entrants are urged to return this application blank immediately so that they can be assigned their official registration number.

The new rules booklets may be obtained by writing to the Merit Award Committee, Room 818, 326 West Madison street, Chicago 6, Illinois.

## Automatic Electric Purchases Interest in Lenkurt Electric

ANNOUNCEMENT has been made that a substantial minority interest in the Lenkurt Electric Company, Inc., San Carlos, California, manufacturers of carrier telephone and telegraph equipment and related products, has been purchased by Automatic Electric Company of Chicago. Control of the Lenkurt Company remains in Lennart G. Erickson and Kurt E. Appert, who will continue to manage the business as in the past.

## Sound-powered Telephone Handset in Mass Production

THE WHEELER INSULATED WIRE COMPANY of Waterbury, Connecticut, a division of the Sperry Corporation, announces the mass production of its sound-powered telephone handset. "Designed to meet the growing demand for a safe, dependable means of commu-

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nication at a realistic price," the instrument is claimed by the manufacturer to have many unique features.

It is stated that no batteries or power supply are necessary for the operation of the equipment and that satisfactory operation is effected up to 25 miles.

The manufacturer states that the units are finding wide applications in fields where emergency or convenient two-way communication is required. The sets are said to be particularly handy for installation jobs, power and communications linemen, construction workers and emergency squads.

Full information on the sound-powered telephone handset may be obtained by writing the manufacturer at Waterbury, Connecticut.

### Series of Slidefilms to Speed Retail Sales Training

A SERIES of five sound slidefilms, *Behind the Counter*, has been produced by The Jam Handy Organization and is now being distributed for use by retail sales organizations, particularly those who sell their merchandise over the counter. This series outlines the tested principles of leading selling organizations, universities and other authorities. The films present approved ways of meeting people in sales situations.

Subjects are: 1—Friendliness, 2—Attentive-

ness, 3—Helpfulness, 4—Sincerity, 5—Enthusiasm. There is a record for each film suggesting what to say, while the correlated pictures suggest what to do and how to do it. An instructor's manual is supplied with the slidefilms. A supplementary sound motion picture *Face In the Mirror* is also available. For details, write to Jack C. Coffey Company, national distributor of these films, 205 W. Wacker drive, Chicago, Ill., or to the producer, The Jam Handy Organization, 2821 E. Grand blvd., Detroit 11, Mich.

### New Public Relations Firm

FORMATION of Floyd L. Carlisle, Inc., public relations firm (with offices at 50 Broadway, New York city), was announced recently by Floyd L. Carlisle, Jr., president.

The firm offers, in addition to public relations counsel, opinion, and market research, advertising, and publicity.

### G-E's Industrial Heating Course Attracting Electric Engineers

MORE than 160 electric utility power-sales engineers have enrolled in General Electric's new Industrial Heating Course, which will be given September 13 to 17, inclusive, at the Adirondack Inn, Sacandaga Park, New York. The course will be conducted by the company's industrial heating division, in co-operation with representatives of electric utilities vitally interested in the application of industrial heating in industry.

Basically, the course is designed to assist the utilities, through the power-sales engineer, in converting actual or future capacity into profitable, wide-potential load. At the same time, it will bring the power-sales engineer up to date on the many important improvements in all phases of industrial heating since 1940, as well as show him how his customers can benefit from the adoption of modern industrial heating techniques.

### New Miller Swivel Eliminates Twist in Wire Rope

TWIST and snap usually encountered when pulling underground wire through conduit or when installing overhead lines can now be eliminated through use of Miller Annular Thrust Ball Bearing Swivels. Designed and manufactured by General Machine & Welding Works, Pomona, California, these swivels remove all the torque from wire line. Especially adapted for telephone and power company use is the Miller Utility Special, designed with a blunt nose to prevent any drag when being used in conduit.

### G-E to Build Largest Kva Output Transformers for Detroit Edison

THREE of the world's highest rated kva transformers ever made will be built by General Electric for the Detroit Edison Com-

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Water Company in the East—all properties in one State—with aggregate annual gross revenues of company and subsidiaries approximately \$4,000,000 a year. Excellent growth possibilities. Fine opportunity for proven utility executive having good engineering background plus strong administrative experience. Ability to reduce operating costs and well-developed concept of necessity of earning adequate return on investment fundamental prerequisites. Salary in the \$12,000-\$14,000 range depending upon qualifications. Reply in detail with snapshot.

#### WRITE:

Public Utilities Fortnightly, Dept. A  
309 Munsey Bldg.  
Washington 4, D. C.

# New Electric Health Appliance for home and office



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Ends dry, parched, overheated indoor air. Helps reduce "colds", coughs, raw throats by providing healthful, moisturized air. Filters out dust, dirt, smoke and odors. Protects home furnishings. Effects savings on space heating costs, giving more comfort at lower room temperatures.



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pany, according to Robert Paxton, manager of G-E's transformer and allied product divisions.

The transformers, each of which are rated three-phase, 145,000 kva, are designed to raise voltage from 15,000 to 135,000 volts.

### Central Arizona Lt. & Pwr. Expanding Facilities

**C**ENTRAL ARIZONA LIGHT AND POWER COMPANY will spend \$5,659,040 during 1948 on new construction. This amount exceeds the \$4,935,454 spent on expansion in 1947 by 15 per cent.

A major portion of the funds will be spent on the completion of a new 30,000 kilowatt generator installation and the expansion of transmission and distribution systems.

### Southern Natural to Expand

**S**OUTHERN NATURAL GAS COMPANY is planning to construct facilities which will increase its main line delivery capacity by about 35,000,000 cubic feet daily to a total of 420,000,000.

The estimated over-all cost is between \$3,500,000 and \$3,700,000, depending on which of two plans is followed.

## PUBLIC UTILITY MANAGER

As Assistant Manager in operation of group of water supply properties on Long Island with gross annual revenues of about \$1,000,000. Must be experienced and have full knowledge of construction, operation and maintenance of water works facilities. Must be versed in public relations work. Opportunity for man qualified to succeed to manager's job after demonstration of capacity to handle assignment. Interview arranged on basis of letter stating qualifications, educational background and salary desired.

*Write:*

Public Utilities Fortnightly, Dept. B

309 Munsey Bldg.  
Washington 4, D. C.

### TEMCO Introduces New Shallow Gas Floor Furnace

**T**ENNESSEE ENAMEL MANUFACTURING COMPANY, Nashville, Tennessee, has introduced a new shallow gas floor furnace measuring only 25½ in. over-all depth, a feature which practically eliminates costly excavation.

The unit is equipped with a porcelain enamel heat chamber which is guaranteed not to rust, corrode, or burn out. According to the manufacturer, the new model provides a recessed, easily accessible, compact control assembly which greatly simplifies installation and maintenance.

Standard equipment on all models includes 100 per cent safety pilots. Automatic electric temperature controls are optional but, when specified by purchaser, are installed at factory.

Temco will produce a complete line of these new gas floor furnaces which will include 35,000, 50,000, and 70,000 Btu models.

### More Pipe Line for Northern Natural

**N**ORTHERN NATURAL GAS COMPANY, Omaha, Nebraska, is planning to construct and operate natural gas transmission facilities to increase deliverability of its pipe line from 390,000,000 cubic feet daily north of Clifton, Kansas, to 425,000,000 cubic feet daily. The estimated cost of the proposed facilities is \$500,300.

### Iroquois Gas Planning To Increase Facilities

**I**ROQUOIS GAS CORPORATION has applied for authority to increase its natural gas transmission and underground storage facilities in order to better meet the peak winter demands of its customers. Estimated cost of the proposed project is \$1,357,000.

### Personnel Changes

#### Raytheon Manufacturing Company

**W**HAMILTON WALTER has been appointed to the newly created position of co-ordinator of sales for the Raytheon Manufacturing Company, Waltham, Massachusetts. He will supervise Raytheon's marketing, advertising, and public relations programs and will be a member of the president's advisory staff.

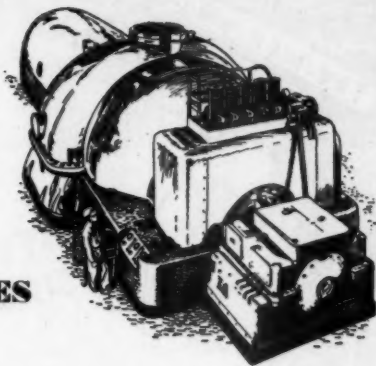
#### Silex Company

**A**T a meeting of the board of directors of The Silex Company, Frank E. Wolcott was elected chairman of the board, and Louis S. Chick was elected president and general manager, according to a recent announcement.

#### Perfection Stove Company

**A**s its new director of home economics, Perfection Stove Company has appointed a specialist in the gas and electric fields. She is

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Miss Mary Ryan, for the past four years home service director of the New York State Electric and Gas Corporation.

Miss Ryan will be working with the company's proposed new line of gas ranges scheduled for production in the near future, as well as the established line of kerosene ranges.

## Catalogs and Bulletins

### Elliott Company

ELLIOTT COMPANY's electric power division, Ridgway, Pennsylvania, has just released bulletin PB 2000 on Elliott's low speed Fabric steel synchronous generator. Fifteen detailed views illustrate and fully explain construction features. Special mechanical modifications with illustrations and descriptions are also included. Copies of the bulletin will be sent on request.

### Food Service News

A NEW and fifth edition of the *Food Service News* catalog of Commercial Electric Kitchen Equipment is now being distributed by electric service companies.

The forty-page catalog is divided into 12 sections for easy reference. It contains 210 electric kitchen appliances manufactured by 77 manufacturers. It appears without paying advertising. First printing of this edition was in excess of 35,000 copies.

Compiled by the editors of *Food Service News*, the commercial electric cooking magazine, the catalog is published by Electrical Information Publications, Inc., of Madison, Wisconsin.



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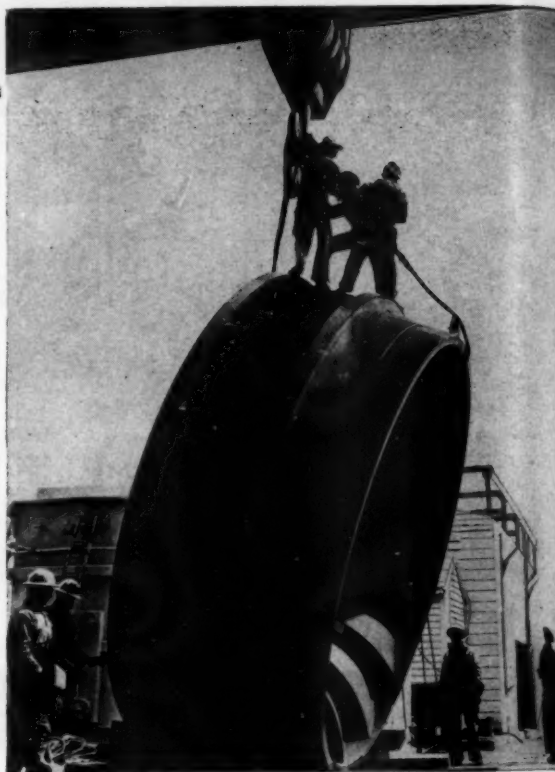
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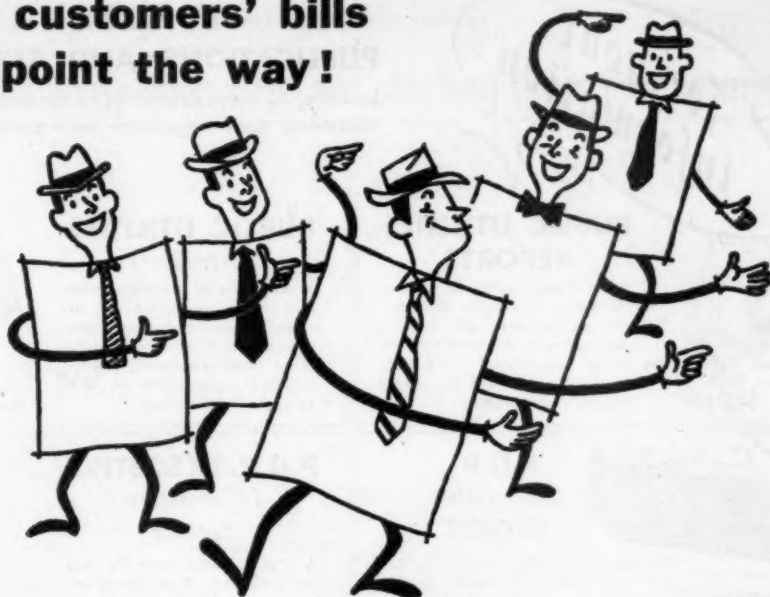
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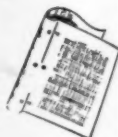
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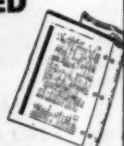
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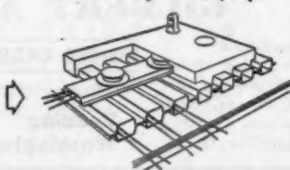
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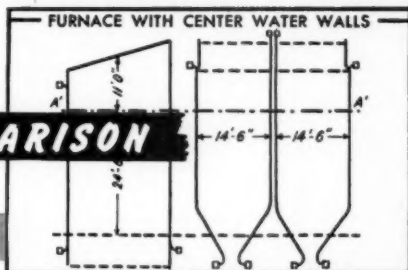
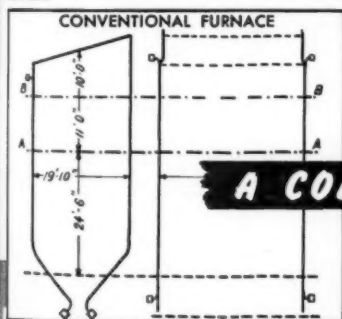
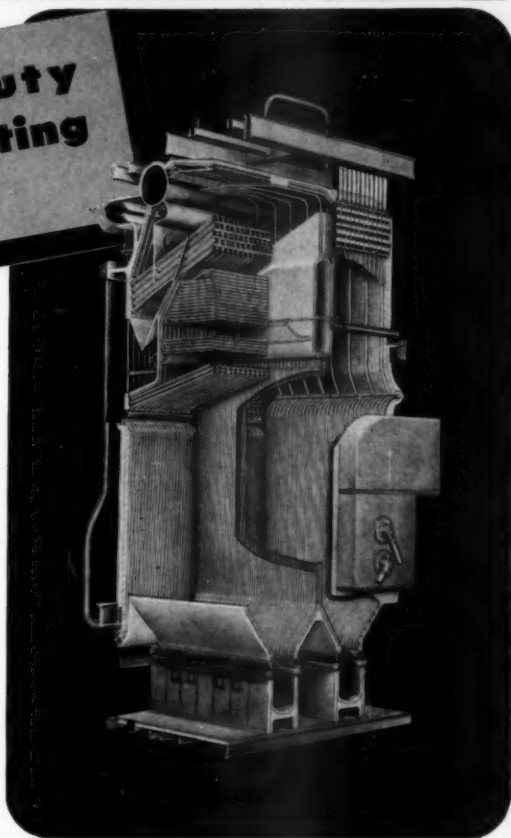
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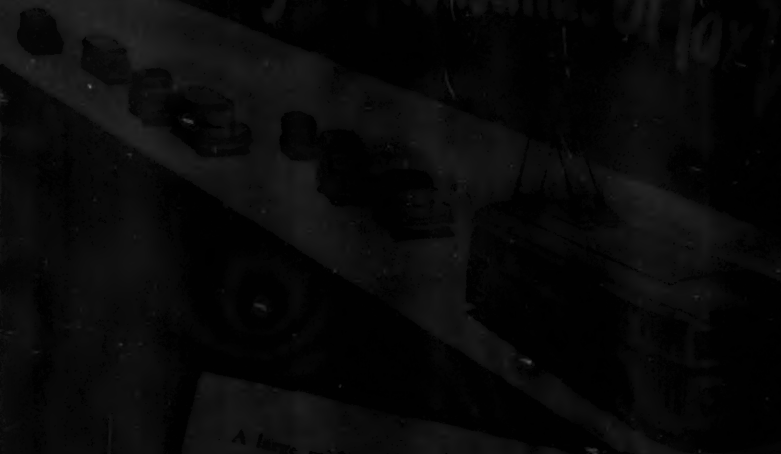
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